

# EXHIBIT A

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION  
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT  
SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation  
of Bernard L. Madoff Investment Securities LLC,

Plaintiff,

v.

SQUARE ONE FUND LTD.,

Defendant.

Adv. Pro. No. 08-01789 (CGM)

SIPA Liquidation

(Substantively Consolidated)

Adv. Pro. No. 10-04330 (CGM)

**REQUEST FOR INTERNATIONAL JUDICIAL  
ASSISTANCE PURSUANT TO THE HAGUE CONVENTION ON  
THE TAKING OF EVIDENCE ABROAD IN CIVIL OR COMMERCIAL MATTERS**

The United States Bankruptcy Court for the Southern District of New York presents its compliments to the judicial authorities of Luxembourg and requests assistance in obtaining evidence to be used in civil proceedings before this Court.

This request is made pursuant to, and in conformity with, Chapter I of the *Hague Convention of 18 March 1970 on the Taking of Evidence Abroad in Civil or Commercial Matters* (the “Hague Convention”), to which both the United States and Luxembourg are party.

Specifically, this Court requests assistance in obtaining documentary evidence from A.R.T. – ABSOLUTE RETURN TARGET FUND, as identified under Section II (the “ART Fund”) for use in this proceeding in this Court. This Court has not yet determined the merits of the claims and allegations set forth below that are asserted in this action by the plaintiff, Irving H. Picard. In compliance with Luxembourg’s reservations under the Hague Convention, the requested documents are enumerated specifically in this Request and are directly relevant to the facts and issues in this case.

### **SECTION I**

#### **1. SENDER:**

The Honorable Cecelia G. Morris  
Chief United States Bankruptcy Judge  
United States Bankruptcy Court for the Southern District of New York  
One Bowling Green  
New York, NY 10004-1408

#### **2. CENTRAL AUTHORITY OF REQUESTED STATE:**

Parquet Général du Grand-Duché de Luxembourg  
Cour Supérieure de Justice  
Cité judiciaire  
Bâtiment CR  
Plateau du Saint Esprit  
L-2080 Luxembourg

#### **3. PERSON TO WHOM THE EXECUTED REQUEST IS TO BE RETURNED:**

##### ***Plaintiff’s Legal Counsel:***

David Sheehan, Esq.  
Marco Molina, Esq.  
Baker & Hostetler LLP  
45 Rockefeller Plaza  
New York, NY 10111

***On behalf of:***

The Honorable Cecelia G. Morris  
Chief United States Bankruptcy Judge  
United States Bankruptcy Court for the Southern District of New York  
One Bowling Green  
New York, NY 10004-1408

**SECTION II**

**4. IN CONFORMITY WITH ARTICLE 3 OF THE HAGUE CONVENTION, THE UNDERSIGNED APPLICANT HAS THE HONOR TO SUBMIT THE FOLLOWING INFORMATION REGARDING THE INSTANT REQUEST:**

**5. a. REQUESTING JUDICIAL AUTHORITY (Article 3,a):**

The Honorable Cecelia G. Morris  
Chief United States Bankruptcy Judge  
United States Bankruptcy Court for the Southern District of New York  
One Bowling Green  
New York, NY 10004-1408

**b. TO THE COMPETENT AUTHORITY OF (Article 3,a):**

Luxembourg

**c. NAME OF THE CASE AND ANY IDENTIFYING NUMBER:**

*Picard v. Square One Fund Ltd.*, Adv. Pro. No. 10-04330 (CGM)

**6. NAMES AND ADDRESSES OF THE PARTIES AND THEIR REPRESENTATIVES (Article 3,b):**

<b>Plaintiff: Irving H. Picard</b>	<b><u>Legal Representatives</u></b>
Trustee for the Substantively Consolidated SIPA Liquidation of Bernard L. Madoff Investment Securities LLC and the Estate of Bernard L. Madoff	Marco Molina, Esq. Baker & Hostetler LLP 45 Rockefeller Plaza New York, New York 10111 United States of America Tel: +1.212.589.4200 Fax: +1.212.589.4201 Email: mmolina@bakerlaw.com  Franz Schiltz Schiltz & Schiltz S.A.



	24-26 Avenue de la Gare L-1610 Luxembourg Tel: +352 45 64 80 Fax: +352 45 64 44 Email: franz.schiltz@schiltz.lu
<b>Defendant: Square One Fund Ltd.</b> , a British Virgin Islands investment fund maintaining an address at Ansbacher (BVI) Limited, International Trust Building, Wickhams Cay 1, Road Town, Tortola, BVI.	<b><u>Legal Representatives</u></b>  Richard Levin Jenner & Block LLP 919 Third Avenue New York, New York 10022 United States of America Tel: + 1 212 891 1601
<b>A.R.T. - ABSOLUTE RETURN TARGET FUND</b> , a public limited company (Société Anonyme) qualifying as an investment company with variable share capital ( <i>Société d'investissement à capital variable</i> ), organized under the laws of Luxembourg having its registered office at L-1855 Luxembourg, 15, avenue J.F. Kennedy, registered with the Luxembourg Trade and Companies Register under number B 79.444.	<b><u>Address</u></b>  15, Avenue J.-F. Kennedy L-1855 Luxembourg

## 7. NATURE AND PURPOSE OF THE PROCEEDINGS AND SUMMARY OF THE FACTS (Article 3,c):

### **BACKGROUND**

This adversary proceeding arises from the infamous Ponzi scheme orchestrated by Bernard L. Madoff (“Madoff”). Madoff was the sole owner, founder, chairman, and chief executive officer of Bernard L. Madoff Investment Securities (“BLMIS”). Through BLMIS, Madoff purported to invest his clients’ funds using a “split-strike conversion strategy” for producing consistently high returns on investments. However, rather than engage in legitimate trading activity, Madoff used customer funds to support operations and fulfill other investors’

requests for distributions of profits to perpetuate his Ponzi scheme. Any payment of “profit” to a BLMIS customer, therefore, came from another BLMIS customer’s investment. Madoff’s scheme continued until December 2008, when requests for withdrawals overwhelmed the flow of new investments and caused the inevitable collapse of the Ponzi scheme.

On December 11, 2008, Madoff was arrested by United States Federal Bureau of Investigation agents for violations of criminal securities laws, including, *inter alia*, securities fraud, investment adviser fraud, mail fraud, and wire fraud. He later pled guilty to an eleven-count criminal indictment filed against him by the United States Attorney’s Office for the Southern District of New York. Madoff is currently serving a sentence of 150 years in federal prison.

On December 15, 2008, Judge Louis L. Stanton of the United States District Court for the Southern District of New York appointed Irving H. Picard as Trustee (the “Trustee”) for the liquidation of BLMIS pursuant to the United States Securities Investor Protection Act (“SIPA”). Under SIPA, the Trustee has the general powers of a bankruptcy trustee relating to the recovery and distribution of customer property. The Trustee is therefore responsible for recovering and distributing customer property, assessing claims against BLMIS, and liquidating any other assets of BLMIS for the benefit of the estate and its creditors.

As part of his statutory duty to recover customer property, the Trustee is empowered under the United States Bankruptcy Code to bring actions to avoid and recover transfers of funds BLMIS made before its collapse. *See* 11 U.S.C. §§ 544, 547, 548(a)(1), 550. The term “avoid” means to undo a transfer so that it may be recovered by the BLMIS estate for equitable distribution to BLMIS’s customers. The Trustee has brought approximately one thousand avoidance actions in the BLMIS liquidation. The Trustee seeks to maximize the recovery of

fraudulently transferred funds and, consequently, the ultimate distribution to Madoff's defrauded customers.

### **SUMMARY OF THE FACTS ALLEGED BY THE TRUSTEE**

This action, titled *Picard v. Square One Fund Ltd. (In re BLMIS)*, was filed on November 29, 2010. The operative pleading, the Amended Complaint, was filed on December 21, 2018 (the "Amended Complaint" or "Am. Compl.") (attached hereto as **Exhibit 1**).<sup>1</sup> In the Amended Complaint, the Trustee alleges that defendant Square One Fund Ltd. ("Square One") received avoidable transfers totaling at least \$6,410,000 from BLMIS. (Am. Compl. ¶¶ 181–88.) The Trustee asserts claims under United States federal law and the United States Bankruptcy Code to recover these transfers for their equitable distribution to Madoff's customers. (*Id.* ¶¶ 193–96.)

Square One is a British Virgin Islands investment fund that invested exclusively with BLMIS for approximately ten years, from December 1998 until December 2008 (when Madoff was arrested and BLMIS collapsed). (*Id.* ¶¶ 2–3.) Specifically, the Trustee alleges that during this time, Square One invested with Madoff's investment advisory business, the unit of BLMIS through which the fraud was primarily conducted, and received \$6,410,000 in fraudulent transfers from this business within the two years preceding BLMIS's collapse. (*Id.* ¶¶ 3, 187.) Further, the Trustee alleges that Square One received these transfers without "good faith," meaning that Square One either knew or consciously avoided knowing that BLMIS's investment advisory business was a fraud. (*See, e.g., id.* ¶¶ 5–16, 126–28, 149, 182.)

The Trustee alleges that Square One suspected to a high probability that BLMIS was a fraud and actively took steps to avoid confirming the truth of these suspicions. Among other things, the Trustee alleges that in 1999, Square One received an analytical study from its service

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<sup>1</sup> Am. Compl., *Picard v. Square One Fund Ltd. (In re BLMIS)*, Adv. Pro. No. 10-04330 (CGM) (Bankr. S.D.N.Y. Dec. 21, 2018), ECF No. 167.

provider, Partners Advisers S.A. (“Partners Advisers”), that tracked and analyzed BLMIS’s purported investment returns over a ten-year period. (*Id.* ¶ 100.) The Trustee alleges that this study confirmed that BLMIS’s returns were implausible and had little to no correlation with BLMIS’s purported investment strategy. (*Id.* ¶¶ 102–11, 116–19.) Further, the Trustee alleges that in or around 2003, Partners Advisers alerted Square One’s founder and director, Luc Estenne, of several red flags of fraud concerning BLMIS’s operations. (*Id.* ¶¶ 149–57.) Based on this warning, among other indicia of fraud, the Trustee alleges that Mr. Estenne redeemed his personal investments in Square One and advised certain others close to him to do the same. (*See id.* ¶¶ 163–64.) As alleged in the Amended Complaint, Mr. Estenne nevertheless continued to direct Square One to solicit investments from other investors while pocketing fees off the top of those doomed investments. (*Id.* ¶ 167.) The Trustee further alleges that Mr. Estenne also took steps to ensure that neither Square One nor BLMIS would be subjected to any diligence reviews by Square One’s investment manager or Partners Advisers. (*Id.* ¶¶ 169–71.)

The Trustee’s allegations and claims are set forth in the Amended Complaint, attached to this Request as **Exhibit 1**.

### **PROCEDURAL HISTORY**

The Trustee filed the Amended Complaint on December 21, 2018 asserting claims to avoid and recover fraudulent transfers Square One received from BLMIS. In the Amended Complaint, as discussed above, the Trustee alleged that Square One, through its agent, Mr. Estenne, actually knew of, or was willfully blind to, BLMIS’s fraud. (*See, e.g., id.* ¶¶ 5–16, 126–28, 149, 182.) Square One moved to dismiss the Amended Complaint on February 14, 2019.<sup>2</sup>

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<sup>2</sup> Def.’s Mot. to Dismiss, *Picard v. Square One Fund Ltd. (In re BLMIS)*, Adv. Pro. No. 10-04330 (CGM) (Bankr. S.D.N.Y. Feb. 14, 2019), ECF No. 170.

On June 13, 2019, the Bankruptcy Court entered an order granting in part and denying in part Square One's motion to dismiss the Amended Complaint.<sup>3</sup> In particular, the Bankruptcy Court held that the Trustee's Amended Complaint plausibly alleged that Square One willfully blinded itself to BLMIS's fraud and denied Square One's motion to dismiss the Trustee's claims to avoid and recover the transfers Square One received in the two years preceding BLMIS's collapse. However, the Bankruptcy Court held that the Amended Complaint failed to adequately allege that Square One actually knew BLMIS was not trading securities and accordingly dismissed the Trustee's claims to avoid and recover transfers that Square One received more than two years before BLMIS's collapse.<sup>4</sup>

On July 19, 2019, Square One filed its Answer to the Amended Complaint, denying that it had actual knowledge of BLMIS's fraud or that it willfully blinded itself to BLMIS's fraud.<sup>5</sup> (Answer ¶ 182.) In particular, Square One denied specific allegations that Mr. Estenne suspected BLMIS was not trading securities and that a senior officer at Partners Advisers told Mr. Estenne that BLMIS's purported investment performance did not make sense. *See, e.g., id.* ¶¶ 6–10, 97, 126.

This adversary proceeding is in the discovery phase in which the parties are gathering evidence in the United States, Switzerland, Luxembourg, and elsewhere to support their claims and defenses. This request for judicial assistance is in furtherance of that effort.

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<sup>3</sup> Order, *Picard v. Square One Fund Ltd. (In re BLMIS)*, Adv. Pro. No. 10-04330 (CGM) (Bankr. S.D.N.Y. June 13, 2019), ECF No. 177.

<sup>4</sup> Tr., *Picard v. Square One Fund Ltd. (In re BLMIS)*, Adv. Pro. No. 10-04330 (CGM) (Bankr. S.D.N.Y. May 30, 2019), ECF No. 181, at 43:1-44:1.

<sup>5</sup> Answer, *Picard v. Square One Fund Ltd. (In re BLMIS)*, Adv. Pro. No. 10-04330 (CGM) (Bankr. S.D.N.Y. July 19, 2019), ECF No. 179 ("Answer").

## 8. EVIDENCE TO BE OBTAINED

### a. The ART Fund Documents Specifically Reflect the ART Fund's Connection to Square One

The ART Fund is a Luxembourg-based fund managed by Partners Advisers and directed by Mr. Estenne. The ART Fund invested in Square One from approximately 2000 to 2003. The Trustee alleges that the ART Fund was the vehicle through which Mr. Estenne and others close to him invested in Square One. The Trustee further alleges that when Partners Advisers alerted Mr. Estenne to red flags of fraud concerning BLMIS, Mr. Estenne directed the ART Fund to redeem its investments from Square One and directed Partners Advisers to prohibit all future BLMIS-related investments from the ART Fund's portfolio.

The Trustee has obtained documents confirming that the ART Fund eliminated its exposure to Square One by January 2003. (See **Exhibit 2** (SQO000001204); **Exhibit 3** (SQO000001176).) The Trustee asserts that the ART Fund notified its investors that it redeemed from Square One due to concerns of fraud. This assertion arises from the ART Fund's disclosure about "important conflicts of interests, as the manager is his own custodian and valuates to the portfolio himself," as well as the disclosure that the ART Fund's redemption from Square One was done "[t]o avoid any other blow ups[.]" (See **Exhibit 2** (SQO000001204).)

The ART Fund's documentation showing knowledge of suspicious circumstances or concerns of fraud at BLMIS, and related communications and diligence documents, directly support the Trustee's allegations that Square One was willfully blind to fraud at BLMIS.

### b. Nature of the Evidence

Through this Request, the Bankruptcy Court seeks evidence relating to the ART Fund's investment in Square One, which the Trustee believes is relevant to his case. This evidence includes any documents tending to show the ART Fund's knowledge or inclination of suspicious

circumstances, or expressions of concern regarding Square One and/or BLMIS, as well as any information possessed by the ART Fund concerning Square One and/or BLMIS. Further, the evidence sought reflects concerns about a conflict of interest and other suspicious circumstances suggesting fraud or other wrongdoing at BLMIS or with funds that invested with BLMIS. (*See Exhibit 2* (SQO000001204 at SQO000001208).)

The Trustee requests specific documents related to the ART Fund's decision to invest in Square One; the ART Fund's decision to redeem from Square One; the ART Fund's due diligence on Square One and BLMIS; Partners Advisers' due diligence on Square One and BLMIS; and transfers of funds between Square One and the ART Fund.

The documents requested by the Trustee are grouped into three categories. The first category of documents consists of documents dated during the time the ART Fund was invested in Square One. This includes audited annual reports and quarterly reviews of the ART Fund during the time period that the ART Fund was invested in Square One. While Square One has produced some such documents, demonstrating their existence and relevance to the instant proceeding, it has not produced a complete set to the Trustee. Moreover, these documents are relevant to the instant proceedings because they specifically discuss the ART Fund's investments in Square One during the relevant time period.

The second category of documents consist of communications and due diligence that the ART Fund completed on Square One and/or BLMIS, as part of the ordinary course of business. This includes analyses completed on Square One and/or BLMIS in compliance with the ART Fund's internal policies outlined in the prospectus and marketing materials.

The third category of documents relates to the ART Fund's investment into, and redemption from, Square One and specific analyses and due diligence done on Square One

bearing on the decisions to invest and redeem. In particular, the decisions to redeem were discussed in the ART Fund Quarterly Reviews, some of which were produced to the Trustee.

Based on the foregoing and due to the connections between the ART Fund, Partners Advisers, and Square One, the ART Fund's communications, reports, records, and analyses regarding Square One and BLMIS are relevant to the Trustee's allegations of Square One's knowledge and suspicions concerning BLMIS.

The documents and materials sought include: quarterly and annual reports for the ART Fund classes of shares invested in Square One for the years 2000 to 2003, the time period during which the Trustee asserts that the ART Fund was invested in Square One, and any communications regarding these reports; documents concerning due diligence on Square One, BLMIS, or any other BLMIS investors or funds substantially invested in Madoff; and documents concerning the ART Fund's decisions to invest in and redeem from Square One.

Additionally, the Bankruptcy Court seeks documents and information relating to due diligence procedures, inquiries, and/or reports taken by or on behalf of the ART Fund relating to BLMIS, other BLMIS investors, or funds substantially invested in Madoff. The Trustee asserts that evidence of such due diligence would be probative of the ART Fund's awareness or suspicions of fraud at BLMIS.

c. **Relevance of the Evidence**

The documents and materials sought are directly relevant to the issues in dispute. The Trustee alleges that the ART Fund was a direct investor in Square One and redeemed its investment from Square One in 2002 and 2003 due to concerns of fraud, which included that there was a conflict of interest as the "manager is his own custodian." (**Exhibit 1**, Am. Compl. ¶¶ 143, 150, 160–64; **Exhibit 2** (SQO000001204).)



The Trustee similarly alleges that Partners Advisers, which directed the ART Fund's investment in Square One, carried out routine due diligence on its investments. This due diligence included manager meetings reviewed by Partners Advisers analysts (*see Exhibit 4* (SQO000004281 at SQO000004281–SQO000004284)) and analysis of funds' and managers' qualitative data (*see id.* at SQO000004285–SQO000004300).

From the outset of this proceeding, the Trustee identified the ART Fund in his initial disclosures as an entity invested in, and having information related to, Square One and Square One's due diligence concerning BLMIS. The Trustee accordingly asserts that the ART Fund has information about: (i) the ART Fund's decision to invest in Square One; (ii) the ART Fund's decision to redeem from Square One; (iii) the ART Fund's due diligence on Square One and BLMIS; (iv) Partners Advisers' due diligence concerning Square One and BLMIS; and (v) transfers of funds between Square One and the ART Fund. The requested documents and information will support the Trustee's allegations that Partners Advisers and Mr. Estenne had suspicions and/or concerns that BLMIS's investment advisory business was not legitimate. Under United States law, such suspicions or concerns can be imputed to Square One because Partners Advisers and Mr. Estenne were Square One's agents at all relevant times. Accordingly, the requested materials are directly relevant to the central inquiry as to whether Square One knew or consciously avoided knowing about BLMIS's fraud such that it lacked "good faith" with respect to its receipt of the BLMIS transfers in question.

The documents and information sought through this request are essential for the Trustee to fulfill his statutory mandate to maximize recovery of customer property for the ultimate benefit of Madoff's defrauded victims.

## **SECTION II**

### **9. DOCUMENTS TO BE INSPECTED AND COPIED**

It is requested that a Luxembourg judicial authority compel **the ART Fund** to produce the following documents:

#### **ART FUND QUARTERLY REVIEWS AND AUDITED ANNUAL REPORTS RELATING TO THE PERIOD OF THE ART FUND'S INVESTMENT IN SQUARE ONE**

1. The ART Fund Abbreviated Audited Annual Report as at December 31, 2000, similar to the December 31, 2002 version annexed hereto as **Exhibit 5** (SQO0000014484).
2. The ART Fund Abbreviated Audited Annual Report as at December 31, 2001, similar to the December 31, 2002 version annexed hereto as **Exhibit 5** (SQO0000014484).
3. The ART Fund Audited Annual Report as at December 31, 2000, similar to the December 31, 2002 version annexed hereto as **Exhibit 6** (SQO0000005219).
4. The ART Fund Audited Annual Report as at December 31, 2001, similar to the December 31, 2002 version annexed hereto as **Exhibit 6** (SQO0000005219).
5. The ART Fund Audited Annual Report as at December 31, 2003, similar to the December 31, 2002 version annexed hereto as **Exhibit 6** (SQO0000005219).
6. The ART Fund 2002 Class A Quarterly Review for Quarter 1.
7. The ART Fund 2002 Class A Quarterly Review for Quarter 2.
8. The ART Fund 2002 Class A Quarterly Review for Quarter 3.
9. The ART Fund 2002 Class A Quarterly Review for Quarter 4.
10. The ART Fund 2002 Class B Quarterly Review for Quarter 1.
11. The ART Fund 2002 Class B Quarterly Review for Quarter 2.
12. The ART Fund 2002 Class D Quarterly Review for Quarter 1.
13. The ART Fund 2002 Class D Quarterly Review for Quarter 2.
14. The ART Fund 2002 Class D Quarterly Review for Quarter 3.
15. The ART Fund 2002 Class D Quarterly Review for Quarter 4.
16. The ART Fund 2003 Class A Quarterly Review for Quarter 1.

17. The ART Fund 2003 Class A Quarterly Review for Quarter 2.
18. The ART Fund 2003 Class A Quarterly Review for Quarter 3.
19. The ART Fund 2003 Class A Quarterly Review for Quarter 4.
20. The ART Fund 2003 Class B Quarterly Review for Quarter 3.
21. The ART Fund 2003 Class C Quarterly Review for Quarter 3.
22. The ART Fund 2003 Class D Quarterly Review for Quarter 3.
23. December 31, 2000 Valuation of ART Class B Arbitrage, Banque Privée Edmond de Rothschild Luxembourg, similar to the December 31, 2002 version annexed hereto as **Exhibit 7** (SQO000001023).
24. December 31, 2001 Valuation of ART Class B Arbitrage, Banque Privée Edmond de Rothschild Luxembourg, similar to the December 31, 2002 version annexed hereto as **Exhibit 7** (SQO000001023).
25. December 31, 2003 Valuation of ART Class B Arbitrage, Banque Privée Edmond de Rothschild Luxembourg, similar to the December 31, 2002 version annexed hereto as **Exhibit 7** (SQO000001023).
26. The ART Fund 2001 Quarterly Reviews for Classes A, B, C, and D discussing the ART Fund investment in Square One.
27. Communications in or around February 2003 between or among the ART Fund's custodian, Banque Privée Edmond de Rothschild Luxembourg, and any of the ART Fund directors, including Luc Estenne, Jérôme Muller, Hugues Janssens van der Maelen and Andrea Manghi at Trendtrust regarding the ART Fund Audited Annual reports. The Trustee believes these communications exist based on the February 12, 2003 email attaching the first draft audited annual report, annexed hereto as **Exhibit 8** (SQO000001238).
28. Communications in or around April 2003 between or among the ART Fund's custodian, Banque Privée Edmond de Rothschild Luxembourg, and any of the ART Fund directors, including Luc Estenne, Jérôme Muller, Hugues Janssens van der Maelen and Andrea Manghi at Trendtrust regarding the ART Fund Audited Annual reports. The Trustee believes such communications exist based on the April 9, 2003 email attaching the "latest" draft audited annual report, annexed hereto as **Exhibit 9** (SQO000005218).

#### **DUE DILIGENCE AND ANALYSIS OF SQUARE ONE FUND AND/OR BLMIS, AS AN ART FUND INVESTMENT**

29. The ART Fund's quantitative analysis on the statistical evaluation of the historical performance of Square One and/or BLMIS, as referenced in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).

30. The qualitative analysis on the (i) characteristics and performance of Square One and/or BLMIS's investment strategy, (ii) background of Square One's and/or BLMIS's manager and the principals in the organization, and (iii) the structure of Square One and/or BLMIS, as referenced in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
31. The ART Fund's review on Square One's offshore administrator, as described in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
32. The ART Fund's review on Square One's custodian, as described in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
33. The ART Fund's review on BLMIS's custodian in relation to Square One, as described in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
34. The ART Fund's review on BLMIS's auditor in relation to Square One, as described in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
35. The ART Fund's review on BLMIS's legal advisor in relation to Square One, as described in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
36. The ART Fund's review on BLMIS's "corporate governance issues" in relation to Square One, as described in **Exhibit 10** at page 18 (SQO000014170 at SQO000014187).
37. Documents regarding the ART Fund's analysis of the conflict of interest identified in Square One regarding BLMIS as referenced in **Exhibit 10** at page 17 (SQO000014170 at SQO000014186) ("Should such conflicts of interest arise, a fair solution for all parties must be found and conflicts must be resolved on an arm's length basis.").
38. Documents from the ART Fund's April 25, 2003 shareholders meeting related to the ART Fund's investment in and redemption from Square One and/or BLMIS, as referenced in **Exhibit 10** (SQO000014170 at SQO000014206).
39. Documents from the ART Fund's April 26, 2002 shareholders meeting related to the ART Fund's investment in and redemption from Square One and/or BLMIS, as referenced in **Exhibit 10** (SQO000014170 at SQO000014206).
40. Documents from the ART Fund's April 27, 2001 shareholders meeting related to the ART Fund's investment in Square One and/or BLMIS, as referenced in **Exhibit 10** (SQO000014170 at SQO000014206).
41. Documents from the ART Fund's April 28, 2000 shareholders meeting related to the ART Fund's investment in Square One and/or BLMIS, as referenced in **Exhibit 10** (SQO000014170 at SQO000014206).
42. Documents from the ART Fund's meetings of the Board of Directors from January – December 2000 where investment in Square One and/or BLMIS was discussed.

- 43. Documents from the ART Fund's meetings of the Board of Directors from January – December 2001 where investment in Square One and/or BLMIS was discussed.
- 44. Documents from the ART Fund's meetings of the Board of Directors from January – December 2002 where investment in or redemption from Square One and/or BLMIS was discussed.
- 45. Documents from the ART Fund's meetings of the Board of Directors from January – December 2003 where redemption from Square One and/or BLMIS was discussed.

**DOCUMENTS RELATING TO THE ART FUND'S DECISIONS TO INVEST IN AND REDEEM FROM SQUARE ONE**

- 46. The analysis the ART Fund relied upon in deciding to invest in Square One, similar to the due diligence analysis annexed hereto as **Exhibit 4** (SQO000004281) including the due diligence on investment process (at SQO000004281–SQO000004284) and quantitative data input (at SQO000004285).
- 47. The analysis the ART Fund relied upon in deciding to invest in Square One, similar to the Partners Advisers Summary Reports on the ART Fund annexed hereto **Exhibit 11** (SQO000004127 at SQO000004141–SQO000004145).
- 48. The subscription documents from the ART Fund's December 2000 investment in Square One through Banque Privée Edmond de Rothschild Luxembourg as described in **Exhibit 12** (SQO000031740).
- 49. The documents the ART Fund relied upon to make the statement in the Quarterly Reviews, annexed hereto as **Exhibit 2** (SQO000001204 at SQO000001208) and **Exhibit 3** (SQO000001176 at SQO000001183) that Square One employed an investment strategy described as the “[s]plit strike conversion” and that “[t]his manager [BLMIS] has achieved very stable and nice returns for more than 10 years.”
- 50. The documents that the ART Fund relied upon to make the statement in the Quarterly Reviews annexed hereto as **Exhibit 2** (SQO000001204 at SQO000001208) and **Exhibit 3** (SQO000001176 at SQO000001183) to redeem from Square One due to the “important conflicts of interests, as the manager is his own custodian and values the portfolio himself. To avoid any other blow ups, the position has been redeemed.”
- 51. The documents that the ART Fund relied upon to make the statement in the ART Fund 2002 Class B Quarterly Review for Quarter 4 annexed hereto as **Exhibit 2** (SQO000001204 at SQO000001207) and the ART Fund 2002 Class C Quarterly Review for Quarter 4 annexed hereto as **Exhibit 3** (SQO000001176 at SQO000001181) explaining the ART Fund's redemption from Square One as “[l]imitation of systemic risk: Square One has been redeemed because there is no third party verification of assets.”
- 52. The documents the ART Fund relied upon leading to the ART Fund's redemption from Square One on October 31, 2002, as seen in documents stating subscriptions and

redemptions such as the ART Fund performance chart annexed hereto as **Exhibit 13** (SQO000001705 at SQO000001709) and the chart of subscriptions and redemptions annexed hereto as **Exhibit 14** referencing the ART Fund on page 3 (SQO000001201 at SQO000001203).

53. Communications between the ART Fund's Board of Directors and the ART Fund's custodian, Banque Privée Edmond de Rothschild Luxembourg, requesting the October 31, 2002 redemption.
54. Communications between the ART Fund's custodian, Banque Privée Edmond de Rothschild Luxembourg, and Square One requesting the October 31, 2002 redemption.
55. The documents related to the ART Fund's October 31, 2002 redemption from Square One through Banque Privée Edmond de Rothschild Luxembourg.
56. The analysis the ART Fund relied upon leading to the ART Fund's redemption of its investment in Square One on January 23, 2003, as seen in documents stating subscriptions and redemptions such as the Transaction Activity Log annexed hereto as **Exhibit 15** (SQO000004992).
57. Communications between the ART Fund's Board of Directors and the ART Fund's custodian, Banque Privée Edmond de Rothschild Luxembourg, requesting the January 23, 2003 redemption.
58. Communications between the ART Fund's custodian, Banque Privée Edmond de Rothschild Luxembourg, and Square One requesting the January 23, 2003 redemption.
59. The documents related to the ART Fund's January 23, 2003 redemption from Square One through Banque Privée Edmond de Rothschild Luxembourg.
60. The chart of the ART Fund's subscription and redemption information for Square One, similar to the ART Fund's subscription and redemption annexed hereto as **Exhibit 16** (SQO000005701).
61. Communications to ART Fund investors attaching the December 2008 ART Fund Notice annexed hereto as **Exhibit 17** (SQO000006973) and stating the ART Fund had no exposure to Madoff, similar to the email annexed hereto as **Exhibit 18** (SQO000006971) attaching the notice.

#### **10. FEES AND COSTS (Article 14, 26)**

It is requested that once the Request is executed, the Luxembourg judicial authority submit a note of reimbursable fees and costs to this Court and to the Trustee's legal representative as follows:

The Honorable Cecelia G. Morris  
Chief United States Bankruptcy Judge  
United States Bankruptcy Court for the Southern District of New York  
One Bowling Green  
New York, NY 10004-1408

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The Bankruptcy Court will guarantee that the Trustee will reimburse the Luxembourg judicial authority in full for all costs incurred in the taking of the evidence sought.

#### **SECTION IV**

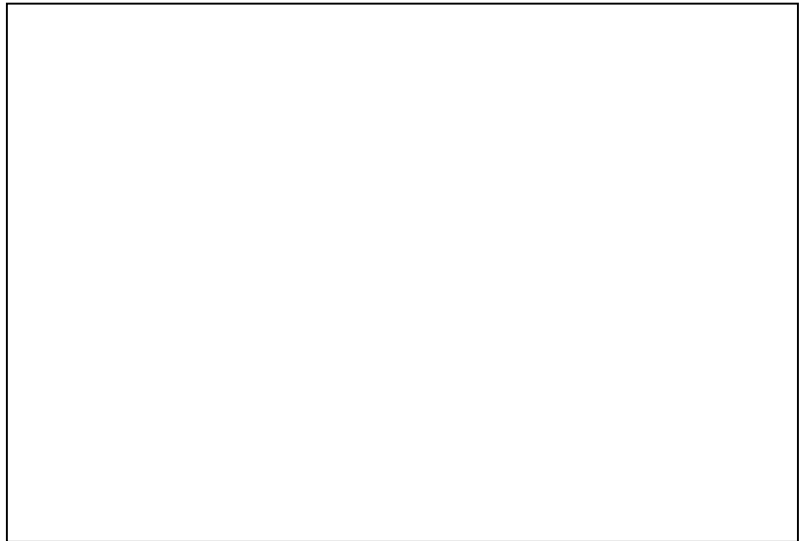
The Bankruptcy Court expresses its gratitude and states that the courts of the United States are authorized by statute, Title 28, Section 1782 of the United States Code, to extend similar assistance to the tribunals of Luxembourg and shall be ready and willing to provide reciprocal assistance in a similar case when required.

The Bankruptcy Court takes this opportunity to extend to the judicial authorities of  
Luxembourg the assurances of the highest consideration.

Dated: \_\_\_\_\_, 2021  
New York, New York

HON. CECELIA G. MORRIS  
CHIEF UNITED STATES BANKRUPTCY  
JUDGE

**Official Seal of the United States Bankruptcy Court for the Southern District of New York:**





# **Exhibit 1**

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Liquidation of Bernard L. Madoff Investment  
Securities LLC and the Estate of Bernard L. Madoff*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION  
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT  
SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Substantively  
Consolidated SIPA Liquidation of Bernard L. Madoff  
Investment Securities LLC and the Estate of Bernard L.  
Madoff,

Plaintiff,

v.

SQUARE ONE FUND LTD.,

Defendant.

Adv. Pro. No. 08-01789 (SMB)

SIPA LIQUIDATION

(Substantively Consolidated)

Adv. Pro. No. 10-04330 (SMB)

**AMENDED COMPLAINT**

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Plaintiff Irving H. Picard (the “Trustee”), as trustee for the substantively consolidated liquidation of Bernard L. Madoff Investment Securities LLC (“BLMIS”),<sup>1</sup> under the Securities Investor Protection Act, 15 U.S.C. §§ 78aaa, *et seq.* (“SIPA”),<sup>2</sup> and the estate of Bernard L. Madoff (“Madoff”), individually, by and through his undersigned counsel, brings this Amended Complaint against Square One Fund Ltd. (“Square One”), and states as follows:

## **I. NATURE OF THE ACTION**

1. This adversary proceeding arises from the approximately \$65 billion Ponzi scheme that Madoff perpetrated through BLMIS.

2. The Trustee seeks to avoid and recover \$25,852,737 in transfers of Customer Property<sup>3</sup> (the “Transfers”) that Square One received from BLMIS between December 15, 1998 and December 11, 2008<sup>4</sup> (the “Relevant Period”).

3. Square One is a British Virgin Islands (“BVI”) investment fund that invested exclusively with BLMIS during the Relevant Period through investment advisory account 1FR048 (the “Square One BLMIS IA Account”), as set forth in Exhibit A.

4. Non-defendant Luc Estenne is a Belgian national and well-known investment management professional in the European investment community. Estenne created Square One and served as its director and manager throughout the Relevant Period and continues to serve in this capacity to this day.

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<sup>1</sup> Hereinafter, “BLMIS” includes the sole proprietorship that preceded Bernard L. Madoff Investment Securities LLC.

<sup>2</sup> Hereinafter, references to SIPA will omit title 15.

<sup>3</sup> SIPA § 78III(4) defines “Customer Property” as “cash and securities . . . at any time received, acquired, or held by or for the account of a debtor from or for the securities accounts of a customer, and the proceeds of any such property transferred by the debtor, including property unlawfully converted.”

<sup>4</sup> Hereinafter, December 11, 2008 is referred to as the “Filing Date.”

5. Throughout the Relevant Period, Estenne: (i) ran a highly successful investment advisory firm, Partners Advisers S.A. (“Partners Advisers”), in Geneva, Switzerland that managed the Luxembourg-based Absolute Return Target Fund (the “ART Fund”); (ii) held himself out to investors as an expert in investment due diligence and investment fraud detection; (iii) authored a book chapter that teaches hedge fund investors how to conduct exhaustive due diligence and avoid investment advisers who employ risky strategies; (iv) spoke at numerous industry conferences as an expert on myriad investment due diligence matters, such as “How to spot fraud?” and “What is the psychology behind manager impropriety?”; and (v) contributed to many investment periodicals on the topics of investment due diligence and fraud detection.

6. Estenne’s experience and teachings on appropriate due diligence standards as well as his savvy for spotting investment fraud helped him recognize that BLMIS’s investment advisory business was a fraudulent operation. Estenne began suspecting BLMIS was not trading securities in October 1999, when, on Square One’s behalf, he conducted a quantitative analysis that compared BLMIS’s purported returns to the returns of the Standard & Poor’s (“S&P”) 500 Index over a ten-year period (the “Estenne Study”). The Estenne Study showed Estenne that it was virtually impossible for BLMIS to achieve its reported returns through the investment strategy BLMIS purported to employ.

7. Soon after conducting the Estenne Study, Estenne learned additional facts that further suggested to him, based on his sophistication, teachings, and principles, that BLMIS was not trading securities. For instance: (i) Madoff reprimanded Estenne for disclosing BLMIS’s role in Square One’s offering materials and demanded that Estenne immediately delete these disclosures, which ran afoul of Estenne’s teaching that “you have to question what you are doing investing with” someone who is not transparent with investors; (ii) BLMIS demanded exclusive

custody of Square One's investment assets and control of Square One's operations, which ran afoul of Estenne's teaching that investment funds should have "independent" custodians to safeguard against fraud; and (iii) BLMIS refused to identify to Estenne the counterparties to the options trades it purported to make on Square One's behalf, which ran afoul of Estenne's teaching that investors must "monitor[] . . . counterparty risk" to safeguard against fraud.

8. Rather than confront Madoff about these indicia of fraud, or select a different investment manager for Square One, Estenne abandoned his contemporaneous investment due diligence teachings and fraud-detection principles and looked the other way. Estenne's motivations for looking the other way included that he: (i) was pocketing sizable management fees that Madoff inexplicably left on the proverbial table; (ii) was leveraging his connection to BLMIS to increase his profile in the European investment management industry; and (iii) intended to grow Square One into a multi-billion dollar BLMIS "feeder fund" similar to major BLMIS feeder funds such as Fairfield Sentry Ltd. and Kingate Euro Fund Ltd.

9. In or around 2002, Estenne's suspicions that BLMIS was not trading securities came to a head when a senior officer who co-headed Partners Advisers' diligence operations (the "Diligence Officer") told Estenne that BLMIS's purported investment performance did not make sense. Separately and independently from Square One, the Diligence Officer attended two marketing presentations by BLMIS feeder funds. The Diligence Officer left those presentations unsure how the BLMIS feeder funds' impressive investment returns were possible, given that BLMIS purportedly employed an investment strategy that tracked the S&P 100 Index, which had underperformed significantly in the wake of the bursting of the "dotcom bubble" and the 9/11 attacks. He was also concerned that the BLMIS feeder fund representatives with whom he spoke could not answer basic diligence questions concerning BLMIS. The Diligence Officer's concerns



grew after he spoke to professionals he trusted in the investment community, who told him they had similar concerns about BLMIS and, as a result, categorically refused to invest in BLMIS feeder funds.

10. The Diligence Officer reported these concerns in person to Estenne and recommended to Estenne that Partners Advisers “blacklist” all BLMIS feeder funds from the ART Fund’s investment portfolio, through which Partners Advisers’ investors and principals (including Estenne and the Diligence Officer) invested their own money.

11. In 2003, soon after his conversation with the Diligence Officer, Estenne took deliberate measures to protect himself and his brand—Partners Advisers—from BLMIS’s fraud. First, Estenne prohibited Partners Advisers from adding BLMIS feeder funds to the ART Fund’s investment portfolio, going as far as to instruct Partners Advisers’ employees not to take any calls or meetings with BLMIS or any BLMIS feeder fund. Second, Estenne directed Partners Advisers to drop Square One from the ART Fund’s investment portfolio, thereby protecting his own money, even though Square One was significantly outperforming the other investments in the portfolio.

12. Estenne, however, did not close the Square One BLMIS IA Account. He continued to invest Square One’s investment assets (consisting of other people’s money) exclusively with BLMIS for the remainder of the Relevant Period, pocketing hundreds of thousands of dollars in management fees generated by those doomed investments and increasing his profile and stature in the European investment management industry.

13. Estenne’s decisions to blacklist BLMIS from Partners Advisers’ investments and eliminate his personal exposure to Square One, coupled with the numerous indicia of fraud at BLMIS that he saw, analyzed, and understood in the years prior, indicate that by 2003 Estenne

knew, or at least suspected to a high probability, that BLMIS was not trading securities on behalf of Square One.

14. During the remainder of the Relevant Period, Estenne took deliberate measures to keep regulators, colleagues, and investors from uncovering BLMIS's fraud, including concealing Square One's investments with BLMIS from the Diligence Officer and refusing to hire an independent custodian that could verify whether BLMIS was trading securities for Square One, as BLMIS purported to do.

15. After the Filing Date, Estenne submitted a customer claim on Square One's behalf. The Trustee, in an effort to determine the allowability of Square One's customer claim, requested that Estenne provide information and documents concerning Square One and its BLMIS-related diligence. Instead of responding to the Trustee's request or submitting materials in support of Square One's customer claim, Estenne directed Square One to withdraw its customer claim.

16. Estenne's actual knowledge of, or willful blindness to, BLMIS's fraud can be imputed to Square One because, at all relevant times, Estenne authorized all significant business decisions for Square One and directed and controlled its daily activities, including its dealings and investments with BLMIS.

## **II. JURISDICTION AND VENUE**

17. This is an adversary proceeding commenced in this Court, in which the main underlying SIPA proceeding, No. 08-01789 (SMB) (the "SIPA Proceeding"), is pending. The SIPA Proceeding was originally brought in the United States District Court for the Southern District of New York as *Securities Exchange Commission v. Bernard L. Madoff Investment Securities LLC et al.*, No. 08 CV 10791 (the "District Court Proceeding") and has been referred to this Court. This Court has jurisdiction over this adversary proceeding under 28 U.S.C. § 1334(b) and (e)(1), and SIPA § 78eee(b)(2)(A) and (b)(4).

18. This is a core proceeding under 28 U.S.C. §§ 157(b)(2)(A), (H), and (O). The Trustee consents to the entry of final orders or judgment by this Court if it is determined that consent of the parties is required for this Court to enter final orders or judgment consistent with Article III of the U.S. Constitution.

19. Venue in this judicial district is proper under 28 U.S.C. § 1409.

20. This adversary proceeding is brought under SIPA §§ 78fff(b) and 78fff-2(c)(3), Bankruptcy Code<sup>5</sup> §§ 105(a), 544(b), 548(a), 550(a) and 551, the New York Fraudulent Conveyance Act (N.Y. Debt. & Cred. § 270 *et seq.* (McKinney 2001) (“DCL”)), the New York Civil Practice Law and Rules (McKinney 2003) (“C.P.L.R.”), and other applicable law.<sup>6</sup>

### **III. BACKGROUND, THE TRUSTEE, AND STANDING**

21. On the Filing Date, Madoff was arrested by federal agents for criminal violations of federal securities laws, including securities fraud, investment adviser fraud, and mail and wire fraud. Contemporaneously, the Securities and Exchange Commission (“SEC”) commenced the District Court Proceeding.

22. On December 15, 2008, under SIPA § 78eee(a)(4)(A), the SEC consented to combining its action with an application by the Securities Investor Protection Corporation (“SIPC”). Thereafter, under SIPA § 78eee(a)(4)(B), SIPC filed an application in the District Court alleging, among other things, that BLMIS could not meet its obligations to securities customers as they came due and its customers needed the protections afforded by SIPA.

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<sup>5</sup> “Bankruptcy Code” means 11 U.S.C. § 101 *et seq.*

<sup>6</sup> Until a final determination on appeal of the applicable measure and burden of proof concerning a defendant’s knowledge in connection with the applicability of Bankruptcy Code § 546(e) to the Trustee’s claims to avoid and recover transfers made within six years of the Filing Date, the Trustee asserts avoidance and recovery claims under Bankruptcy Code §§ 547, 548(a)(1)(B), 544(b)(1), 550 and 551, and applicable provisions of the DCL.

23. Also on December 15, 2008, Judge Stanton granted SIPC's application and entered an order pursuant to SIPA, which, in pertinent part:

- (a) appointed the Trustee for the liquidation of the business of BLMIS pursuant to SIPA § 78eee(b)(3);
- (b) appointed Baker & Hostetler LLP as counsel to the Trustee pursuant to SIPA § 78eee(b)(3); and
- (c) removed the case to this Court pursuant to SIPA § 78eee(b)(4).

24. By orders dated December 23, 2008 and February 4, 2009, respectively, this Court approved the Trustee's bond and found that the Trustee was a disinterested person. Accordingly, the Trustee is duly qualified to serve and act on behalf of the estate.

25. On April 13, 2009, an involuntary bankruptcy petition was filed against Madoff, and on June 9, 2009, this Court substantively consolidated the chapter 7 estate of Madoff into the SIPA Proceeding.

26. At a plea hearing on March 12, 2009, in the case captioned *United States v. Madoff*, Case No. 09-CR-213(DC), Madoff pleaded guilty to an 11-count criminal information filed against him by the United States Attorney for the Southern District of New York. At the plea hearing, Madoff admitted he "operated a Ponzi scheme through the investment advisory side of [BLMIS]."

27. At a plea hearing on August 11, 2009, in the case captioned *United States v. DiPascali*, Case No. 09-CR-764 (RJS), Frank DiPascali, a former BLMIS employee, pleaded guilty to a ten-count criminal information charging him with participating in and conspiring to perpetuate the Ponzi scheme. DiPascali admitted that no purchases or sales of securities took place in connection with BLMIS customer accounts and that the Ponzi scheme had been ongoing at BLMIS since at least the 1980s.

28. At a plea hearing on November 21, 2011, in the case captioned *United States v. Kugel*, Case No. 10-CR-228 (LTS), David Kugel, a former BLMIS trader and manager, pleaded guilty to a six-count criminal information charging him with securities fraud, falsifying the records of BLMIS, conspiracy, and bank fraud. Kugel admitted to helping create false, backdated trades in BLMIS customer accounts beginning in the early 1970s.

29. On March 24, 2014, Daniel Bonventre, Annette Bongiorno, JoAnn Crupi, George Perez, and Jerome O'Hara were convicted of fraud and other crimes in connection with their participation in the Ponzi scheme as employees of BLMIS.

30. As the Trustee appointed under SIPA, the Trustee is charged with assessing claims, recovering and distributing customer property to BLMIS's customers holding allowed customer claims, and liquidating any remaining BLMIS assets for the benefit of the estate and its creditors. The Trustee is using his authority under SIPA and the Bankruptcy Code to avoid and recover payouts of fictitious profits and/or other transfers made by BLMIS and Madoff to customers and others to the detriment of defrauded, innocent customers whose money was consumed by the Ponzi scheme. Absent this and other recovery actions, the Trustee will be unable to satisfy the claims described in subparagraphs (A) through (D) of SIPA § 78fff-2(c)(1).

31. Pursuant to SIPA § 78fff-1(a), the Trustee has the general powers of a bankruptcy trustee in a case under the Bankruptcy Code in addition to the powers granted by SIPA pursuant to SIPA § 78fff(b). Chapters 1, 3, 5 and subchapters I and II of chapter 7 of the Bankruptcy Code apply to this proceeding to the extent consistent with SIPA pursuant to SIPA § 78fff(b).

32. The Trustee has standing to bring the avoidance and recovery claims under SIPA § 78fff-1(a) and applicable provisions of the Bankruptcy Code, including Bankruptcy Code §§ 323(b), 544, and 704(a)(1), because the Trustee has the power and authority to avoid and

recover transfers under Bankruptcy Code §§ 544, 547, 548, 550(a), and 551, and SIPA §§ 78fff-1(a) and 78fff-2(c)(3).

#### **IV. BLMIS, THE PONZI SCHEME, AND MADOFF'S INVESTMENT STRATEGY**

##### **A. BLMIS**

33. Madoff founded BLMIS in 1960 as a sole proprietorship. In 2001, Madoff registered BLMIS as a New York limited liability company. At all relevant times, Madoff controlled BLMIS first as its sole member, and thereafter as its chairman and chief executive.

34. In compliance with SIPA § 78o(b)(1) and SEC Rule 15b1-3, and regardless of its business form, BLMIS operated as a single broker-dealer from 1960 through 2008. Public records obtained from the Central Registration Depository of the Financial Industry Regulatory Authority Inc. reflect BLMIS's continual registration as a securities broker-dealer from January 19, 1960 through December 31, 2008. At all times, BLMIS was assigned Central Registration Depository Number 2625. SIPC's Membership Management System database also reflects BLMIS's registration with the SEC as a securities broker-dealer from January 19, 1960 through December 31, 2008. On December 30, 1970, BLMIS became a member of SIPC and continued its membership without any change in status until the Filing Date. SIPC membership is contingent on registration of the broker-dealer with the SEC.

35. For most of its existence, BLMIS's principal place of business was 885 Third Avenue in New York City, where Madoff operated three principal business units: a proprietary trading desk, a broker dealer operation, and an investment advisory business.

36. BLMIS's website publicly boasted about the sophistication and success of its proprietary trading desk and broker-dealer operations, which were well known in the financial industry. BLMIS's website omitted the investment advisory business entirely. BLMIS did not

register as an investment adviser with the SEC until 2006, following an investigation by the SEC, which forced Madoff to register.

37. For more than twenty (20) years preceding that registration, the financial reports BLMIS filed with the SEC fraudulently omitted the existence of billions of dollars of customer funds BLMIS managed through its investment advisory business.

38. In 2006, BLMIS filed its first Form ADV (Uniform Application for Investment Adviser Registration) with the SEC, reporting that BLMIS had twenty-three (23) customer accounts with total assets under management of \$11.7 billion. BLMIS filed its last Form ADV in January 2008, reporting that its investment advisory business still had only twenty-three (23) customer accounts with total assets under management of \$17.1 billion. In reality, Madoff grossly understated these numbers. In 2008, BLMIS had over 4,900 active customer accounts with a purported value of approximately \$68 billion in assets under management. At all times, BLMIS's Form ADVs were publicly available.

**B. The Ponzi Scheme**

39. At all relevant times, Madoff operated the investment advisory business as a Ponzi scheme using money deposited by customers that BLMIS claimed to invest in securities. The investment advisory business had no legitimate business operations and produced no profits or earnings. Several family members and a few employees assisted Madoff, including Frank DiPascali, Irwin Lipkin, David Kugel, Annette Bongiorno, JoAnn (Jodi) Crupi, and others, who pleaded to, or were found guilty of, assisting Madoff in carrying out the fraud.

40. BLMIS's proprietary trading desk was also engaged in pervasive fraudulent activity. It was funded, in part, by money taken from the investment advisory business customer deposits, but fraudulently reported that funding as trading revenues and/or commissions on BLMIS's financial statements and other regulatory reports filed by BLMIS. The proprietary

trading business was incurring significant net losses beginning in at least mid-2002 and thereafter, and thus required fraudulent infusions of cash from the investment advisory business to continue operating.

41. To provide cover for BLMIS's fraudulent investment advisory business, BLMIS employed Friehling & Horowitz, CPA, P.C. ("Friehling & Horowitz") as its auditor, which accepted BLMIS's fraudulently reported trading revenues and/or commissions on its financial statements and other regulatory reports that BLMIS filed. Friehling & Horowitz was a three-person accounting firm based out of a strip mall in Rockland County, New York. Of the three employees at the firm, one was a licensed CPA, one employee was an administrative assistant, and one was a semi-retired accountant living in Florida.

42. On or about November 3, 2009, David Friehling, the sole proprietor of Friehling & Horowitz, pleaded guilty to filing false audit reports for BLMIS and filing false tax returns for Madoff and others. BLMIS's publicly available SEC Form X-17A-5 included copies of these fictitious annual audited financial statements prepared by Friehling & Horowitz.

### **1. Madoff's Investment Strategy**

43. BLMIS purported to execute two primary investment strategies for investment advisory business customers: the convertible arbitrage strategy and the split strike conversion strategy ("SSC Strategy"). For a limited group of investment advisory business customers, primarily consisting of Madoff's close friends and their families, Madoff also purportedly purchased securities that were held for a certain time and then purportedly sold for a profit. At all relevant times, Madoff conducted no legitimate business operations using any of these strategies.

44. The convertible arbitrage investment strategy was supposed to generate profits by taking advantage of the pricing mismatches that can occur between the equity and bond/preferred equity markets. BLMIS told investors they would gain profits from a change in the expectations



for the stock or convertible security over time. In the 1970s this strategy represented a significant portion of the total investment advisory business accounts, but by the early 1990s the strategy was purportedly used in only a small percentage of investment advisory business accounts.

45. From 1992 forward, Madoff began telling investment advisory business customers that he employed the SSC Strategy for their accounts, even though in reality BLMIS never traded any securities for them. All funds received from investment advisory business customers were commingled in a single BLMIS account maintained at JPMorgan Chase Bank. These commingled funds were not used to trade securities, but rather to make distributions to, or payments for, other customers, to benefit Madoff and his family personally, and to prop up Madoff's proprietary trading business.

46. BLMIS reported falsified trades using backdated trade data on monthly account statements sent to investment advisory business customers that typically reflected substantial gains on the customers' principal investments.

47. The SSC Strategy purported to involve: (i) the purchase of a group or basket of equities intended to highly correlate to the S&P 100 Index, (ii) the purchase of out-of-the-money S&P 100 Index put options, and (iii) the sale of out-of-the-money S&P 100 Index call options.

48. The put options were to control the downside risk of price changes in the basket of securities. The exercise of put options could not turn losses into gains, but rather could only put a floor on losses. By definition, the exercise of a put option would entail a loss for BLMIS.

49. The sale of call options would partially offset the costs associated with acquiring puts, but would have the detrimental effect of putting a ceiling on gains. The call options would make it difficult, if not impossible, for BLMIS to outperform the market, because in a rising market, calls would be exercised by the counterparty.

50. The simultaneous purchase of puts and calls to hedge a securities position is commonly referred to as a “collar.” The purpose of the collar is to limit exposure to volatility in the stock market and flatten out returns on investment.

51. For the SSC Strategy to be deployed as Madoff claimed, the total value of each of the puts and calls purchased for the basket of securities had to equal the notional value of the basket of securities. For example, to properly implement a collar to hedge the \$11.7 billion of assets under management that Madoff publicly reported in 2006 would have required the purchase of call and put options with a notional value (for each) of \$11.7 billion. There are no records to substantiate Madoff’s purchase of call and put options in any amount, much less in billions of dollars.

52. Moreover, at all times that BLMIS reported its total assets under management, publicly available information about the volume of exchange-traded options showed that the volume of options contracts necessary to form the collar and implement the SSC Strategy exceeded the available options.

## **2. BLMIS’s Fee Structure**

53. BLMIS charged commissions on purportedly executed trades rather than management and performance fees based on the value of assets under management. By using this commission-based structure, Madoff inexplicably walked away from hundreds of millions of dollars in fees.

## **3. BLMIS’s Market Execution**

54. Madoff also lied to customers when he told them that he carefully timed securities purchases and sales to maximize value. Madoff explained that he achieved market execution by intermittently taking customer funds out of the market. During those times, Madoff purported to invest BLMIS customer funds in U.S. Treasury Bills (“USTB”) or mutual funds invested in USTB.

55. BLMIS's customer statements, however, did not show an ability to time the market. Rather, the customer statements showed an uncanny ability to buy low and sell high—an ability so uncanny that any sophisticated or professional investor, including Square One, could see it was statistically impossible. BLMIS's customer statements also showed, without fail, a total withdrawal from the market at every quarter- and year-end.

56. As a registered broker-dealer, BLMIS was required, pursuant to section 240.17a-5 of the Securities Exchange Act of 1934, to file quarterly and annual reports with the SEC that showed, among other things, financial information on customer activity, cash on hand, and assets and liabilities at the time of reporting. BLMIS's reported quarterly and year-end exits were undertaken to avoid these SEC requirements. But these exits also meant that BLMIS was stuck with the then-prevailing market conditions. It would be impossible to automatically sell all positions at fixed times, independent of market conditions, and win every time. Yet this is precisely what BLMIS's customer statements reported.

57. BLMIS's practice of exiting the market at fixed times, regardless of market conditions, was completely at odds with the SSC Strategy, which relied on holding long positions rather than on short-term speculative trading.

58. There is no record of BLMIS clearing a single purchase or sale of securities in connection with the SSC Strategy at The Depository Trust & Clearing Corporation, the clearing house for such transactions, its predecessors, or any other trading platform on which BLMIS could have traded securities. There are no other BLMIS records that demonstrate that BLMIS traded securities using the SSC Strategy.

59. All exchange-listed options relating to the companies within the S&P 100 Index, including options based upon the S&P 100 Index itself, clear through the Options Clearing

Corporation. The Options Clearing Corporation has no records showing that BLMIS's investment advisory business cleared any trades in any exchange-listed options.

#### **4. The Collapse of the Ponzi Scheme**

60. The Ponzi scheme collapsed in December 2008, when BLMIS customers' requests for redemptions overwhelmed the flow of new investments.

61. At their plea hearings, Madoff and DiPascali admitted that BLMIS purchased none of the securities listed on the investment advisory business customers' fraudulent statements, and that the investment advisory business operated as a Ponzi scheme.

62. At all relevant times, BLMIS was insolvent because (i) its assets were worth less than the value of its liabilities; (ii) it could not meet its obligations as they came due; and (iii) at the time of the transfers alleged herein, BLMIS was left with insufficient capital.

#### **V. DEFENDANT SQUARE ONE**

63. Square One incorporated in the BVI on December 15, 1998.

64. Square One opened the Square One BLMIS IA Account on December 29, 1998.

65. Square One exclusively invested with BLMIS and received all the Transfers from BLMIS through the Square One BLMIS IA Account.

66. Square One initially operated under the name ISIS Worldwide Ltd., but changed its name to Square One Fund Ltd. in April 1999.

67. Square One maintains an address at Ansbacher (BVI) Limited, International Trust Building, Wickhams Cay 1, Road Town, Tortola, BVI.

68. Square One is subject to personal jurisdiction in this judicial district because it purposely availed itself of the laws and protections of the United States and the State of New York by, among other things, knowingly investing funds with BLMIS and receiving the Transfers from BLMIS. By deliberately investing with BLMIS and receiving the Transfers directly from BLMIS

in New York, Square One knowingly accepted the rights, benefits, and privileges of conducting business and transactions in the United States and New York. Square One regularly communicated with BLMIS employees in New York regarding the Square One BLMIS IA Account. Square One maintained minimum contacts and/or general business contacts with the United States and New York in connection with the Square One BLMIS IA Account.

69. Square One executed BLMIS account opening agreements, including a “Customer Agreement,” “Option Agreement,” and “Trading Authorization Limited to Purchases and Sales of Securities and Options,” and delivered these documents to BLMIS at its headquarters at 885 Third Avenue, New York, New York. By executing these documents, Square One agreed that: (i) its investments would be governed by New York law; (ii) any disputes would be arbitrated before the American Arbitration Association, the New York Stock Exchange, Inc., an arbitration facility provided by any other exchange of which BLMIS was a member, the National Association of Securities Dealers, Inc., or the Municipal Securities Rule Making Board; and (iii) where applicable, its transactions would be subject to the provisions of the Securities Exchange Act of 1934, as amended, and the Commodities Exchange Act, as amended, to the rules and regulations of the Securities and Exchange Commission and the Board of Governors of the Federal Reserve System, and the Commodities Futures Trading Commission.

70. Square One remains a going concern.

## **VI. ESTENNE’S KNOWLEDGE IS IMPUTED TO SQUARE ONE**

71. Estenne founded Square One after he gained access to BLMIS’s investment advisory business during an in-person meeting with DiPascali in New York in 1998.

72. Estenne served as Square One’s director throughout the Relevant Period.

73. Estenne managed Square One throughout the Relevant Period. On information and belief, he founded Square One’s investment manager, Square Asset Management Ltd. (“SAM”),

in 1999. Estenne controlled SAM at all relevant times and was its sole representative. Through SAM, Estenne charged Square One's investors management fees of 1.25% on an annualized basis for Square One's Class B shares and 2% on an annualized basis for Square One's Class C shares. Estenne, through SAM, did not, however, charge Square One's investors performance fees.

74. Estenne was responsible for conducting investment due diligence on Square One's behalf throughout the Relevant Period.

75. Estenne communicated with BLMIS on Square One's behalf throughout the Relevant Period.

76. Estenne drafted Square One's offering materials throughout the Relevant Period.

77. Estenne marketed Square One to investors throughout the Relevant Period.

78. Estenne hired Square One's service providers throughout the Relevant Period. In 1999, he hired HSBC Bank of Bermuda Limited, f/k/a Bank of Bermuda Limited, to serve as Square One's administrator, and HSBC Securities Services (Luxembourg) S.A., f/k/a Bank of Bermuda (Luxembourg) S.A. (together with HSBC Bank of Bermuda Limited, "Bank of Bermuda"),<sup>7</sup> to serve as Square One's custodian. In 2006, Estenne hired Circle Partners Investment Support Services, B.V. to serve as Square One's administrator after Bank of Bermuda resigned from that role.

## **VII. ESTENNE WAS HIGHLY QUALIFIED TO UNCOVER BLMIS'S FRAUD**

79. Estenne is a sophisticated investment professional. He received his MBA (Commercial Engineer Degree) with distinction from the Catholic University of Louvain (Belgium) in 1990. From 1991 to 1993, Estenne worked for JP Morgan Bank's Global Technology

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<sup>7</sup> The Trustee has named these parties as defendants in a separate adversary proceeding styled *Picard v. HSBC Bank Plc, et al.*, Adv. Pro. No. 09-01364 (SMB) (Bankr. S.D.N.Y. 2009).

and Operation group in Brussels. From 1994 to 1996, Estenne was an officer of Bank Brussels Lambert in New York and Brussels.

80. Estenne is best known in the European investment management community as the founder and CEO of Partners Advisers, a Geneva-based investment advisory firm that provides global hedge fund investment advisory services and was named Switzerland's "Most Trusted Investment Management Company of the Year" in the 2014 International Hedge Fund Awards.

81. Estenne's LinkedIn profile touts that certain of his "[s]pecialties" are "[h]edge fund research and management of portfolios of hedge funds" and "[g]eneral management of a hedge fund research and advisory company."

**A. Estenne Is an Expert at Spotting Investment Fraud and Conducting Investment Due Diligence**

82. Throughout the Relevant Period, Estenne held himself out to investors as an expert at spotting investment fraud and conducting investment due diligence. For example, in April 2004, Estenne spoke as a "due diligence specialist[]" at the EuroHedge summit in Paris on issues such as "How to spot fraud?[,]" "Why do funds fail?[,]" "What is the psychology behind manager impropriety?[,]" and "What are the structural issues?"

83. Estenne also held himself out as an expert on issues concerning investment due diligence, fraud detection, and risk management at dozens of other industry conferences and to industry periodicals throughout the Relevant Period, including, but not limited to, the following:

- (a) In March 1998, Estenne was part of a three-person panel of investment professionals who spoke at a conference about the importance of transparency when evaluating an investment adviser and an investment portfolio;
- (b) In September 2000, in the article titled "Short-term investors: The tide begins to turn" MAR/Hedge cited Estenne as an authority on hedge fund investments and, specifically, how investors should conduct diligence on hedge funds and diversify their hedge fund investments; and

- (c) In April 2001, at the “International Private Banking & Family Office” conference in Brussels, Estenne gave a presentation titled “Why do Family Offices Invest in Hedge Funds?” that included topics such as “How to select hedge funds” and “How to construct hedge funds.”

84. In 2000, Estenne authored a book chapter titled “Risk Management Issues for the Family Office” in the book “Managing Hedge Fund Risk” in which he, among other things, teaches investors how to avoid investing in a fraud. He authored a second version of this book chapter in 2005 (together with the first version, the “Book Chapter”).

85. Estenne teaches in the Book Chapter that it is “paramount” that investors conduct both pre-investment and ongoing due diligence on investment advisers “to identify which risks are taken by hedge fund managers in order to generate their performance, and how these risks are measured and managed.” The Book Chapter identifies thirty (30) risk factors that investors should study as part of their diligence of investment advisers and strategies. These risk factors include “*Counterparty risk*,” “*Correlation risk*,” “*Assets under management risk*,” “*Concentration risk*,” “*Erratic markets risk*,” and “*Transparency*.”

86. In the Book Chapter, Estenne also teaches investors to demand transparency from their investment adviser. He writes that the “best transparency level usually available takes the form of monthly or quarterly portfolio snapshots,” and encourages investors to conduct periodic in-person diligence visits to obtain “a vote of confidence on the ethics” of the investment adviser.

87. Estenne made similar recommendations during a March 1998 conference as part of a panel that discussed, among other things, how to select fund managers. The panel explained that a fund manager’s “transparency” is one of the “critical issues” in an investor’s selection process and warned that “[i]f a fund manager will not tell you what he is doing, you have to question what you are doing investing with him[.]”



88. In the Book Chapter, Estenne also teaches that the custodian of an investment fund should be independent from the investment adviser to maintain the security of the assets and ensure that they are valued accurately. Estenne writes that independent custody “ensure[s] control of assets, independent [net asset value] calculation and accuracy of financial statements.”

**B. At Partners Advisers, Estenne Practiced What He Preached**

89. In or around 2000, Estenne doubled down on his investment diligence expertise and his ability to spot investment fraud by promising to personally invest in the same Luxembourg-based investment vehicle that Partners Advisers offered its customers: the ART Fund. He later referred to this policy as his way of putting his “money where [his] mouth is.”

90. Estenne provided cutting-edge due diligence services to the ART Fund’s investors by implementing “best practice procedures and controls” at Partners Advisers. He hired qualified diligence personnel at Partners Advisers to monitor the ART Fund’s investments and understand the relevant markets and securities underlying those investments. These individuals reconciled the ART Fund’s customer statements and trade confirmations with public investment records and reverse-engineered the underlying investment strategies.

91. Estenne set up investment committees at Partners Advisers consisting of analysts for each of the funds in which the ART Fund invested. These committees convened monthly to discuss the performance and investment strategies of the underlying fund investments. They also graded each of the investments on a scale between one and five, and updated the score based on their ongoing diligence and oversight.

92. Estenne required Partners Advisers’ personnel to conduct at least four diligence visits each year with the investment advisers with whom the ART Fund invested. Partners Advisers’ website explains that “face-to-face meetings and on-the-ground work are of essence” when selecting an investment adviser and conducting ongoing diligence. Many of these face-to-

face visits occurred in New York, where Estenne maintained an apartment to accommodate these visits.

93. Partners Advisers describes thorough ongoing diligence procedures on its website, which states: “Once an investment is made, our team closely monitors performance and portfolio information and holds regular monitoring meetings with our fund managers to ensure a continued close and detailed dialogue.” The website also explains how Partners Advisers continues to analyze and monitor the risks associated with the investment, noting that: “At each step of the process, we identify, analyze, monitor and aggregate financial and operational risks at a fund and portfolio-level.”

94. Counterparty risk is one of the risks Estenne, at Partners Advisers, closely monitored during the Relevant Period. Estenne said during a 2010 interview with Opalesque TV (an internet news outlet focused on investing and hedge funds) that: “So many of the aspects which were a surprise to people in terms of counterparty risk . . . were things we [at Partners Advisers] were already aware of and monitoring” before the 2008 financial crisis.

95. Estenne, at Partners Advisers, also provided the ART Fund’s investors with transparency into the underlying investments. Partners Advisers’ website states: “We believe that an open dialogue, relevant transparency and value-adding reporting are the necessary conditions to develop real partnerships with our co-investors.” To this end, Partners Advisers published annual audited financial reports that provided significant insight into the underlying investments’ performance and how the relevant investment strategies worked.

96. Estenne also directed Partners Advisers to hire financial institutions that were independent from underlying investment advisers to safeguard the ART Fund’s assets and perform other custodial tasks.

## VIII. ESTENNE UNCOVERED BLMIS'S FRAUD

97. When it came to Square One, Estenne significantly deviated from his teachings and the investment principles he contemporaneously taught and practiced because he knew, or at the very least suspected to a high probability, that BLMIS was not trading securities on behalf of Square One.

### A. In October 1999, Estenne First Suspected BLMIS Was Not Trading Securities

98. Estenne memorialized his understanding of the SSC Strategy in an exhibit to Square One's June 1, 1999 offering memorandum (the "SSC Exhibit"), stating in relevant part that:

[BLMIS] offers investors access through different funds to a non traditional investment strategy which is often described as a split-strike conversion. This underlying strategy which invests exclusively in the United States in highly liquid securities with no leverage consists of either: (i) purchasing equity shares; (ii) selling related out-of-the-money call options which represent a number of underlying shares equal to the number of shares purchased; (iii) buying related out-of-the-money or at-the-money put options representing the same number of underlying shares when the manager believes the market is due to strengthen; or (iv) remaining in cash or USTB when he believes the market is due to weaken.

99. The SSC Exhibit explains that the SSC Strategy's "attractive[ness]" is the "downside protection" provided by put options designed to liquidate securities positions in the event "the price [*sic*] of the stocks decline." But the SSC Exhibit notes the SSC Strategy's drawback is that "the upside potential is limited" because to purchase the put options BLMIS must sell call options, which act as a ceiling that caps the potential gains from the stock basket.

100. In or around October 1999, Estenne (through Partners Advisers and on Square One's behalf) conducted the Estenne Study, a sophisticated quantitative analysis comparing the performance of the SSC Strategy to the performance of the S&P 500 Index over 118 months from January 1990 to October 1999.

101. The Estenne Study showed Estenne—a self-described expert at conducting due diligence and spotting investment fraud—that it was virtually impossible for BLMIS to achieve its purported performance through the SSC Strategy.

**1. The Estenne Study Showed Estenne that BLMIS’s Purported Performance Did Not Correlate to the Market as It Should Have**

102. Based on the SSC Exhibit’s description, Estenne knew the SSC Strategy involved the purchase of a basket of S&P 100 Index equities selected to create, as Estenne put it, “a high degree of correlation with the general market.”

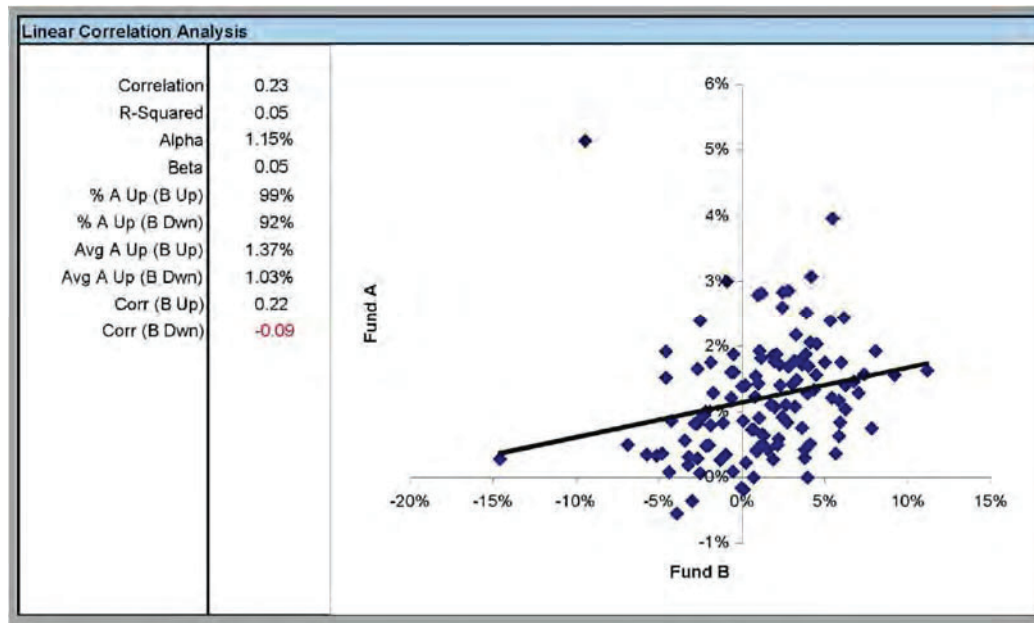
103. The Estenne Study, however, revealed an unexpected and inexplicable lack of correlation between BLMIS’s purported returns and the performance of the S&P 100 Index.

104. The Estenne Study analyzed the degree to which BLMIS’s purported returns correlated to the performance of the S&P 500 Index. Because the S&P 100 Index is comprised of the larger companies included in the S&P 500 Index, Estenne understood the SSC Strategy should also have a “high degree of correlation” with the S&P 500 Index.

105. In a section titled “Correlation Analysis,” the Estenne Study shows that BLMIS’s purported returns lacked the expected correlation to the S&P 500 Index. Specifically, this section shows that in the months that the S&P 500 Index posted a negative return (38 of 118 months), the SSC Strategy posted a positive return 92% of the time (35 of those 38 months) with an average monthly return of 1.03%.

106. This lack of correlation was particularly evident in August 1990, when the S&P 500 Index posted a loss of approximately 9.43% and the SSC Strategy posted a gain of 5.14%, and in August 1998, when the S&P 500 Index posted a loss of 14.58% and the SSC Strategy posted a gain of 0.28%.

107. The Estenne Study also contains a “Linear Correlation Analysis” that further demonstrates BLMIS’s purported performance was not correlated to the S&P 500 Index. This section includes a scatterdiagram (pictured below) that plots the monthly returns of the S&P 500 Index against the SSC Strategy’s purported monthly returns during the sample period.



108. The scatterdiagram (with BLMIS’s returns on the vertical axis and the S&P 500 Index’s returns on the horizontal axis) illustrates BLMIS’s purported ability to generate positive returns independent of the S&P 500 Index’s gyrations. The varied performance of the S&P 500 Index is depicted in the scatterdiagram by the distribution of data points on both sides of the vertical axis. If there were a high degree of correlation between BLMIS’s purported returns and the S&P 500 Index—as the SSC Exhibit states there should be—the scatterdiagram would show a similar distribution of data points above and below the horizontal axis. Instead, nearly all of the data points appear above the horizontal axis because BLMIS purported to generate positive returns regardless of whether the S&P 500 Index was up or down.

109. The scatterdiagram’s R-Squared coefficient further illustrates this lack of correlation. The R-Squared coefficient here measures the percentage of the SSC Strategy’s

movements that can be explained by movements in the S&P 500 Index. This coefficient is obtained through a regression analysis that measures how close the data points pictured above are to the line representing the mean.

110. As pictured above, the R-Squared coefficient for the scatterdiagram is 0.05. This means that 5% of the changes in BLMIS's purported returns can be explained by contemporaneous changes in the S&P 500 Index's returns.

111. As an expert in due diligence and fraud detection, Estenne understood that this lack of correlation between BLMIS's reported performance and the S&P 500 Index meant BLMIS's purported returns were not possible under the SSC Strategy.

## **2. The Estenne Study Showed Estenne that BLMIS Did Not Exit the Market during Downturns**

112. In the SSC Exhibit, Estenne explains to Square One's investors that a key component of the SSC Strategy is that BLMIS will exit the market and either "remain[] in cash or USTB when [BLMIS] believes the market is due to weaken[.]"

113. But the Estenne Study showed Estenne that BLMIS did not exit the market during downturns. During the thirty-eight (38) months that the S&P 500 Index posted investment losses, BLMIS purported to earn 1.03% average monthly returns. Estenne understood that because USTBs yield minimal investment returns and cash yields even less, BLMIS could not have averaged monthly returns of 1.03% by exiting the market and holding either cash or USTBs. Estenne understood that, to produce those investment returns, BLMIS would have had to remain in the market during these downturns, in contravention to the SSC Exhibit's description of the SSC Strategy.

114. The Estenne Study's returns analysis for the months March 1994 and July 1996 highlights the dissonance between the SSC Strategy's expected performance and BLMIS's

purported returns. During each of those months the S&P 500 Index lost 4.57% of its value, which signaled a significant market downturn that should have resulted in BLMIS exiting the market and holding cash and/or USTBs. BLMIS, however, posted significant positive gains of 1.52% in March 1994 and 1.92% in July 1996, indicating that BLMIS did not leave the market to hold cash or USTBs during those months.

115. Based on these inconsistencies between the SSC Strategy and its purported results, Estenne understood that BLMIS's purported returns were not possible under the SSC Strategy.

### **3. The Estenne Study Showed Estenne that BLMIS Posted Implausibly Consistent Returns over a Ten-Year Period**

116. The Estenne Study showed Estenne that BLMIS posted implausibly consistent positive returns for nearly ten years. Specifically, the Estenne Study showed Estenne that BLMIS posted positive monthly returns in 114 of the 118 months in the sample period (roughly 97% of the time) and only suffered negative returns in four months (roughly 3% of the time), never falling below returns of negative 0.55% in any one of the four down months.

117. The regression analysis Estenne conducted to obtain the R-Squared coefficient also revealed that BLMIS's t-statistic ("t-stat") for the sample period was 13.15. This t-stat measures the consistency of BLMIS's positive monthly returns during the sample period. It is known in the investment management industry that a t-stat of 2.0 indicates that an investor can be approximately 95% confident that the investment manager's performance was not by chance. A t-stat of 13.15 indicates that BLMIS was virtually certain to yield its average positive monthly returns from the sample period irrespective of what the market was doing.

118. Estenne understood that BLMIS's purported returns were even better than the Estenne Study showed. The Estenne Study analyzed the reported investment returns of Fairfield Sentry Ltd., and those reported returns already accounted for the deduction of the investment

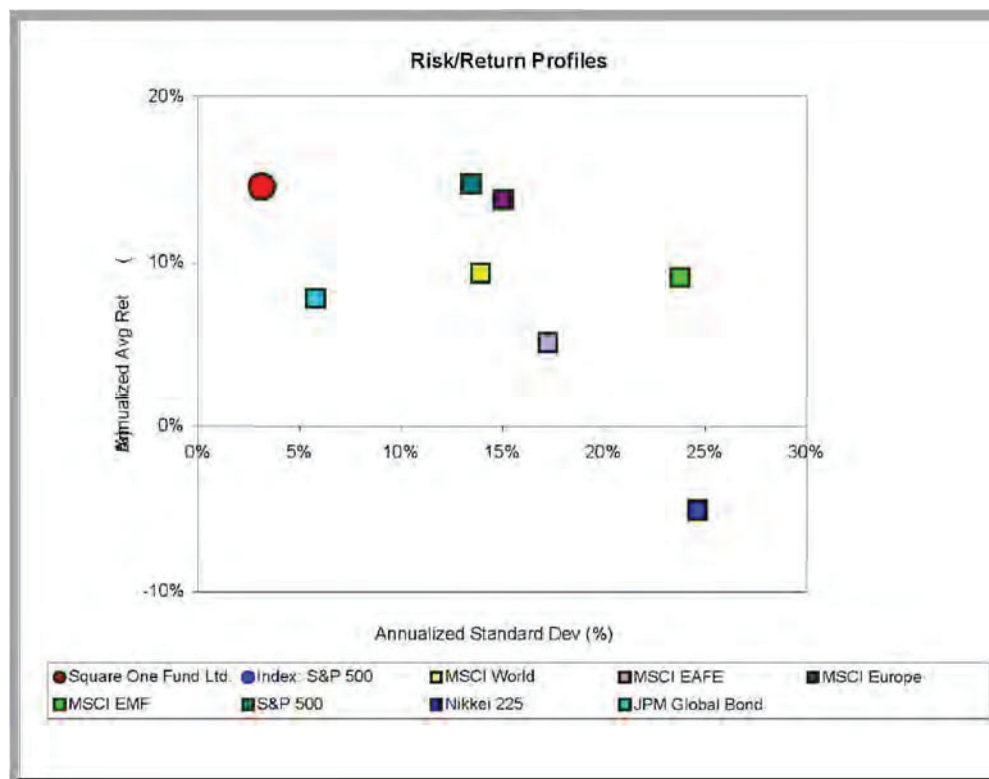


fund's management and performance fees. Thus, while the Estenne Study revealed that BLMIS purported to generate implausibly consistent, positive returns over a ten-year period, it actually understated BLMIS's purported performance during the sample period.

119. As an expert in due diligence and fraud detection, Estenne understood that it was virtually impossible for Madoff, or any investment adviser, to generate positive returns with this level of consistency over the sample period of 118 months.

#### 4. The Estenne Study Showed Estenne that the SSC Strategy's Purported Performance Did Not Comport with Its Risk/Return Profile

120. The Estenne Study also contained a "Risk/Return Profiles" graph (pictured below) that analyzed the correlation between investment performance and investment risk for the SSC Strategy and seven different indices during the sample period.



121. The "Risk/Return Profiles" graph, with risk depicted on the x-axis and returns depicted on the y-axis, shows that the SSC Strategy (illustrated by the red circle) had a lower risk



profile than all the selected indices during the sample period. At the same time, it had a larger return profile than any of the selected indices.

122. As an expert in due diligence and fraud detection, Estenne understood this result was highly improbable because risk and investment returns are typically directly proportional. Thus, because the SSC Strategy had a lower risk profile than any of the selected indices in the Risk/Return Profiles graph, Estenne expected the SSC Strategy to also have comparatively lower returns than the indices contained in the graph. The fact that BLMIS purported to earn higher returns with less risk further showed Estenne that BLMIS's purported returns were not possible under the SSC Strategy.

**5. The Estenne Study Showed Estenne that the SSC Strategy Did Not Comport with Madoff's Purported Performance and Abilities**

123. As set forth in the SSC Exhibit, the SSC Strategy purported to use a collar to limit downside risk at the expense of capping potential gains. Essentially, the collar acted as an insurance policy to limit losses in the event that the basket of S&P 100 Index securities BLMIS purportedly purchased suffered negative returns.

124. But the Estenne Study showed Estenne that BLMIS suffered losses in only four (4) of the 118 months examined. The SSC Strategy's collar, therefore, could only have limited losses in four (4) months, while potentially capping gains in the other 114 months.

125. As an expert in due diligence and fraud detection, Estenne understood that it was nonsensical for Madoff to offer an investment strategy that featured (according to the SSC Exhibit) an "attractive level of downside protection" at the cost of "limit[ing]" investment gains, since Madoff purported to obtain positive returns approximately 97% of the time over a ten-year period.

**B. Estenne Deliberately Avoided Confirming His Suspicions that BLMIS Was Not Trading Securities**

126. Following his review of the Estenne Study, Estenne recognized additional evidence that caused him to suspect there was a high probability BLMIS was not trading securities on behalf of Square One.

127. Rather than confirm his suspicions that BLMIS was a fraud, Estenne looked the other way. He had much to lose by confronting his suspicions that Madoff was a fraud. As a new and unproven investment manager, aspiring to make a name for himself in the competitive Geneva investment management industry, Estenne knew Square One's investment with BLMIS allowed him to provide European investors rare access to Bernard Madoff. Square One's investment in BLMIS also provided Estenne (through SAM) with a consistent and significant revenue stream by way of management fees. Further, Estenne desired to build Square One's BLMIS investment into a multi-billion-dollar operation like BLMIS feeder funds Fairfield Sentry Ltd and Kingate Euro Fund Ltd. To compete with these larger, more established BLMIS feeder funds, Estenne did not charge performance fees and used this fact to market Square One to European investors seeking to invest with BLMIS.

128. By ignoring his suspicions that BLMIS was a fraud, Estenne managed Square One inconsistently with, or totally contrary to, his investment principles and teachings.

**1. Estenne Abandoned His Principle that Investment Transparency Is "Critical"**

129. On December 13, 1999, DiPascali informed Estenne that Madoff demanded that Square One remove all references to BLMIS from Square One's offering memorandum.

130. The offering memorandum defined Square One's "investment objective" as "provid[ing] investors with access to the trading strategy of Madoff Securities [BLMIS]." The offering memorandum further explained to investors BLMIS's importance as Square One's

“Investment Advisor.” In that role, BLMIS would “manage all of the Fund’s assets and [would] have complete and absolute authority to make trading decisions for the Fund.”

131. Estenne responded to DiPascali that even though he had previously “never been told” to do such a thing, he was “ready to correct what [BLMIS] want[ed]” and that he “regret[ted] any inconvenience [that Square One’s disclosures about BLMIS] might have create[d].”

132. Estenne knew that Madoff’s requirement to hide BLMIS’s identity and role in Square One was indicative of fraud but, on information and belief, acceded to Madoff’s demands of secrecy.

133. By acquiescing to Madoff’s demand for secrecy, Estenne abandoned his investment principle that it is “critical” to select investment advisers who are transparent with their customers as well as his investment principle that “[i]f a fund manager will not tell you what he is doing, you have to question what you are doing investing with him.”

134. Estenne also acquiesced to BLMIS’s purported practice of entering into thousands of trades on behalf of Square One in the over-the-counter options market without ever identifying to Square One the counterparties to those trades. BLMIS’s refusal to identify these purported counterparties made it impossible for Square One to assess their creditworthiness. And Square One’s Trading Authorization Agreement with BLMIS makes clear that if the purported counterparty were to default, Square One bore the risk (not BLMIS).

135. By acquiescing to BLMIS’s refusal to disclose to Square One the counterparties to the options trades BLMIS purportedly made on behalf of Square One, Estenne abandoned his investment principle that transparency on counterparties to investment deals is critical to avoiding myriad investment risks, such as fraud.

**2. Estenne Abandoned His Principle that Ongoing Investment Due Diligence Is “Paramount”**

136. On June 1, 1999, Estenne (through SAM) entered into the Investment Management Delegation Agreement with BLMIS. Per this Agreement, Estenne (through SAM) delegated all “duties, obligations, functions, powers and discretions” over the Square One BLMIS IA Account to BLMIS but pledged to “control” and “review” BLMIS in this regard.

137. Square One’s offering memorandum also provides that Estenne (through SAM) was “responsible for overseeing the activities” of BLMIS.

138. On information and belief, neither Estenne nor SAM conducted meaningful due diligence on BLMIS or the Square One BLMIS IA Account any time after the Estenne Study.

139. Estenne, on information and belief, never hired anyone to work for SAM in the Relevant Period. Philippe Hostettler, a Swiss investment professional, is the only individual other than Estenne who appears to have acted for SAM. In 1999, Estenne signed the Investment Management Delegation Agreement on behalf of SAM. Hostettler later told the Trustee, however, that he only signed the Investment Management Delegation Agreement as a favor to Estenne and that he never worked for SAM in any capacity.

140. BLMIS’s records do not show that Estenne or SAM communicated with BLMIS (through telephone, facsimile, electronic mail, regular mail, etc.) concerning due diligence on the Square One BLMIS IA Account.

141. BLMIS’s records do not show that Estenne or SAM conducted any diligence visits to BLMIS, even though Estenne (on behalf of Partners Advisers) regularly visited New York to conduct diligence on other managers and used an apartment in Manhattan to accommodate these visits.

142. BLMIS’s records do not show that Estenne or SAM met with Madoff.

143. Estenne also ensured that others could not conduct meaningful due diligence on the Square One BLMIS IA Account. When Partners Advisers launched the ART Fund in 2000, Estenne directed Partners Advisers to add Square One to the ART Fund’s investment portfolio. But he exempted Square One from the typical pre-investment and ongoing diligence procedures at Partners Advisers. For this reason, the Diligence Officer, whose tasks included vetting every investment in the ART Fund’s portfolio, never vetted Square One and did not know that Square One invested in BLMIS until after the Filing Date.

144. Estenne’s disregard of ongoing investment due diligence on BLMIS and the Square One BLMIS IA Account runs contrary to his investment principles and practices, such as that: (i) “face-to-face meetings and on-the-ground work are of essence” when selecting an investment adviser and when conducting ongoing diligence; (ii) ongoing investment diligence is “paramount” and that at “each step of the process” an investor must “identify, analyze, monitor and aggregate financial and operational risks at a fund and portfolio-level[;]” and (iii) it is crucial to “monitor[] performance and portfolio information” by, among other things, reconciling customer statements and trade confirmations with public investment records and reverse-engineering the underlying investment strategies.

**3. Estenne Abandoned His Principle that the “Proper” Investment Fundamentals Require an Independent Custodian**

145. Estenne hired Bank of Bermuda as Square One’s custodian in 1999.

146. Also in 1999, Estenne directed Square One to make BLMIS the sub-custodian of the Square One BLMIS IA Account. Under the sub-custody agreement, BLMIS had exclusive custody of Square One’s assets.

147. Estenne knew that giving BLMIS custody of Square One’s investment assets increased the risk of fraud and misappropriation because BLMIS already acted as Square One’s

investment adviser, broker, and *de facto* manager. He wrote in the Book Chapter that giving custody of the investment assets to a financial institution that is independent of the investment adviser is necessary to “ensure control of assets, independent [net asset value] calculation and accuracy of financial statements.”

148. Giving the investment adviser custody of the investment assets also runs contrary to industry practices. At all relevant times, it was common industry practice for an independent third-party custodian to hold the actual funds and/or securities and for an independent third-party broker to execute the transactions. This is why investment advisers typically hire reputable independent prime brokers to act as both the broker and custodian. This way, even though the investment adviser is deciding how best to invest client funds, the securities and cash are securely in the custody of an independent third party.

**C. Estenne Acquired Actual Knowledge that BLMIS Was Not Trading Securities on Behalf of Square One in or around 2003**

149. In 2003, Estenne learned of more information that, combined with his pre-existing suspicions of fraud at BLMIS, gave him actual knowledge that BLMIS was not trading securities on behalf of Square One.

**1. The Diligence Officer Confronts Estenne with Concerns about BLMIS**

150. In 2002, Partners Advisers sought to add investments to the ART Fund’s portfolio that could produce “attractive returns” in bear market conditions. For this purpose and around that time, the Diligence Officer attended separate presentations by Fairfield Greenwich Group and FIM Limited, each of which managed several large BLMIS feeder funds.

151. Fairfield Greenwich Group and FIM Limited each pitched to the Diligence Officer their respective BLMIS feeder funds during their respective presentations. Among other things, they showed the Diligence Officer these feeder funds’ consistently positive returns in recent years

and told the Diligence Officer that: (i) these feeder funds each invested all, or substantially all, of their assets with BLMIS; (ii) BLMIS employed a conservative investment strategy designed to track the S&P 100 Index; and (iii) BLMIS served as the broker, investment adviser, and custodian to each of their funds.

152. The Diligence Officer asked Fairfield Greenwich Group and FIM Limited basic questions about the size and make-up of BLMIS's investment advisory business. The presenters were unable to answer these questions due to BLMIS's utter lack of transparency with respect to its investment advisory business.

153. The Diligence Officer also asked Fairfield Greenwich Group and FIM Limited how BLMIS's investment returns were possible when its strategy purportedly tracked the S&P 100 Index, which in recent years had suffered significant investment losses due to the bursting of the "dotcom bubble" and the 9/11 attacks. Once again, the presenters were unable to answer the Diligence Officer's questions.

154. The Diligence Officer left each presentation very concerned that neither he nor the presenters could ascertain how BLMIS's purported investment performance was possible.

155. Following these presentations, the Diligence Officer talked to several investment professionals that he trusted about his BLMIS-related concerns, in hopes of attaining clarity as to how BLMIS's strategy worked and whether BLMIS feeder funds were safe investments. These professionals told the Diligence Officer they had blacklisted BLMIS feeder funds because the professionals' exhaustive diligence could not explain how BLMIS's purported investment returns were possible and that they were concerned that BLMIS offered its investment advisory business's investors no transparency.

156. The Diligence Officer came away from these conversations with the belief that no one could explain to him how BLMIS's investment returns were possible.

157. After he conducted his BLMIS-related diligence, the Diligence Officer reported his concerns, and those of the professionals with whom he spoke, to Estenne. The Diligence Officer then recommended to Estenne that Partners Advisers "blacklist" all BLMIS feeder funds and Madoff-related investments from its managed portfolio.

## **2. Estenne Blacklisted BLMIS from the ART Fund**

158. Estenne immediately agreed with the Diligence Officer's recommendation to have Partners Advisers blacklist BLMIS feeder funds from its managed investments without questions or resistance and without seeking a second opinion.

159. From that point through the Filing Date, at Estenne's instruction, it was Partners Advisers' official policy to not: (i) consider BLMIS feeder funds during internal meetings; (ii) attend presentations concerning BLMIS feeder funds; or (iii) accept or return calls from BLMIS feeder fund managers.

## **3. Estenne Shielded His Money from Madoff**

160. After agreeing to have Partners Advisers blacklist BLMIS feeder funds from its managed investments, Estenne shielded his own money from BLMIS.

161. From the ART Fund's inception in November 2000, Estenne personally invested in the ART Fund as part of Partners Advisers' "alignment of interests" program, in which Estenne and the rest of the Partners Advisers' management team invested their personal funds in the same investment portfolio as their ART Fund investors. In the Relevant Period, Estenne publicly touted that this alignment of interests program meant that he "put [his] money where [his] mouth is."

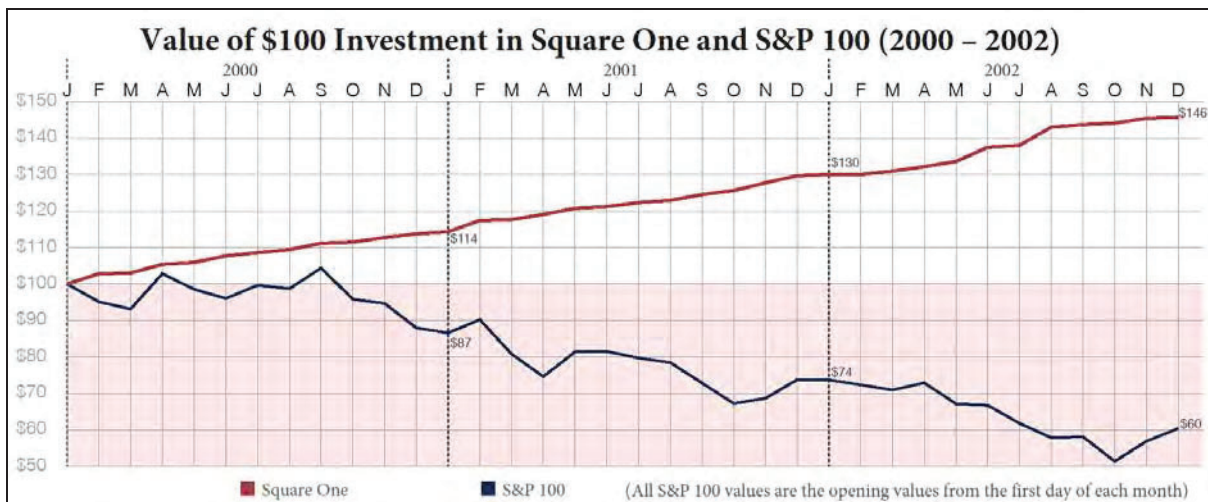


162. In its 2001 Abbreviated Audited Annual Report, the ART Fund disclosed that it held shares in Square One as of December 31, 2001. The ART Fund made the same disclosure in another Abbreviated Audited Annual Report as of December 31, 2002.

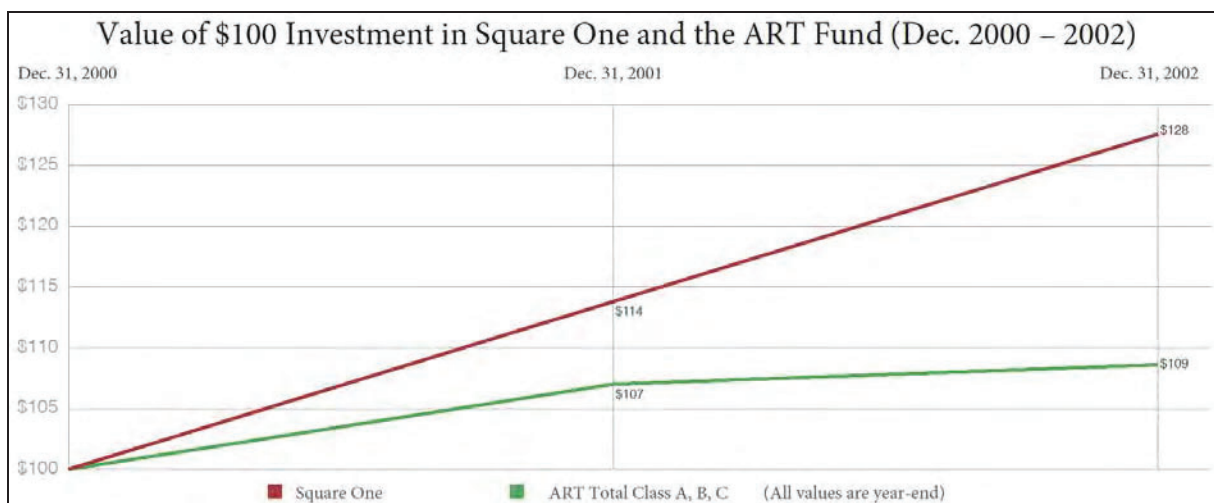
163. But in 2003, after Estenne's decision to have Partners Advisers blacklist BLMIS feeder funds from its managed investments, Estenne directed the ART Fund to redeem its investments in Square One. This redemption is captured in the ART Fund's 2003 Abbreviated Annual Report, reported as of December 31, 2003, which indicates that the ART Fund no longer held shares in Square One. The ART Fund's annual reports for the remainder of the Relevant Period similarly indicate that the ART Fund no longer held shares in Square One.

164. On information and belief, Estenne eliminated his personal exposure to BLMIS when the ART Fund dropped Square One from its investment portfolio. His attorneys represented to the Trustee in 2010 that Estenne did not have any personal exposure to Square One or BLMIS as of the Filing Date.

165. Estenne's decision to drop Square One from the ART Fund's portfolio came at a time when Square One was significantly outperforming the S&P 100 Index, as indicated in the below chart:



166. Estenne’s decision to drop Square One from the ART Fund’s portfolio also came at a time when Square One was one of the portfolio’s few bright spots. The ART Fund’s audited annual reports described the fund’s performance during the bear market between 2000 and 2002 as “disappointing,” having posted investment returns of 7.0% in 2001, and 1.5% in 2002. By contrast, Square One posted returns of 13.8% in 2001, and 12.0% in 2002. The chart below contrasts these varying performances by comparing a \$100 investment in Square One with a \$100 investment in the ART Fund between December 2000 and December 2002:



167. After Estenne liquidated his exposure to Square One and BLMIS, he continued to invest Square One’s assets (consisting of other people’s money) exclusively with BLMIS, taking management fees off the top of those investments and raising his profile in the investment management industry.

#### **D. Estenne Covered for Madoff**

168. Estenne covered for Madoff by preventing others from conducting meaningful diligence into the Square One BLMIS IA Account.

**1. Estenne Actively Hid Square One's Business Operations from His Diligence Officer**

169. Between 2004 and the Filing Date, Estenne routinely had Partners Advisers personnel assist him with Square One's business activities. Partners Advisers employee Timothée Henry handled back-office functions with respect to Square One and periodically corresponded with BLMIS in this capacity. And Partners Advisers employee Sandra Demuth performed certain administrative functions with respect to Square One and periodically corresponded with BLMIS in this capacity.

170. Estenne never asked the Diligence Officer to lend his extensive investment due diligence expertise to Square One's business activities during this period.

171. The Diligence Officer believes Estenne kept him away from Square One's business activities because of the serious diligence-related concerns about BLMIS that the Diligence Officer had previously reported to Estenne.

**2. Estenne Allowed Madoff to Have Unchecked Custody of Square One's Investment Funds**

172. In June 2006, Bank of Bermuda resigned as Square One's custodian.

173. From that point through the Filing Date, Estenne never hired a replacement custodian for Square One. As a result, no independent financial institution was responsible for: (i) overseeing BLMIS's custody of Square One's investment funds; (ii) verifying the existence or the value of the assets that BLMIS purported to trade on Square One's behalf; or (iii) verifying that BLMIS properly segregated Square One's assets from the other assets held at BLMIS or BLMIS's proprietary assets.

174. As an expert in due diligence and fraud detection, Estenne understood this unchecked self-custody structure eliminated a critical control in both the brokerage and investment

management industries by excluding an independent custodian whose functions would include securing and confirming the actual existence of securities purchased.

175. Estenne wrote in the Book Chapter that independent custody of an investment fund's assets was essential to "ensure control of assets, independent [net asset value] calculation and accuracy of financial statements" and warned that allowing investment advisers to "move assets and open accounts where and when they want" leaves investment funds vulnerable to risks such as fraud.

176. Square One is the only known BLMIS feeder fund that invested with BLMIS without using an independent third-party custodian to at least provide the façade of oversight into BLMIS's custody of the investment assets.

**E. Estenne Resisted the Trustee's Efforts to Learn about Estenne's BLMIS-Related Diligence**

177. In March 2009, Square One filed a customer claim with this Court to recover approximately \$25 million in purported investment losses.

178. Between 2009 and 2010, the Trustee requested documents and information tied to the Square One BLMIS IA Account so that the Trustee could determine Square One's customer claim. Neither Square One nor Estenne responded to these requests.

179. In July 2010, the Trustee asked Square One and Estenne to submit records concerning BLMIS-related due diligence. Neither Square One nor Estenne responded to these requests.

180. In August 2010, Square One voluntarily withdrew its customer claim.

## **IX. THE TRANSFERS**

181. Prior to the Filing Date, BLMIS transferred \$25,852,737 to Square One, as set forth in Exhibit B.

182. Square One received all of the Transfers under circumstances in which it had actual knowledge of, or was willfully blind to, BLMIS's fraud.

183. The Transfers were and continue to be Customer Property.

184. The Transfers are avoidable and recoverable under Bankruptcy Code §§ 544, 548, 550(a), and 551, applicable provisions of SIPA, particularly § 78fff-2(c)(3), and applicable provisions of C.P.L.R. 203(g) and 213(8) (McKinney 2001) and DCL §§ 273 – 279 (McKinney 2001).

185. During the six years prior to the Filing Date, of the total Transfers, BLMIS made transfers to Square One that amount to \$24,271,620 (the "Six-Year Transfers"), as set forth in Exhibit B.

186. The Six-Year Transfers are avoidable and recoverable under Bankruptcy Code §§ 544, 550(a), and 551, applicable provisions of SIPA, particularly 78fff-2(c)(3), and applicable provisions of DCL §§ 273–279.

187. During the two years prior to the Filing Date, of the total Transfers, BLMIS made transfers to Square One in the amount of \$6,410,000 (the "Two-Year Transfers"), as set forth in Exhibit B.

188. The Two-Year Transfers are avoidable and recoverable under Bankruptcy Code §§ 548, 550(a), and 551, applicable provisions of SIPA, particularly § 78fff-2(c)(3) and applicable provisions of DCL §§ 273–279.

189. To the extent that any of the recovery counts may be inconsistent with each other, they are to be treated as being pleaded in the alternative.

190. The Trustee's investigation is ongoing and the Trustee reserves the right to: (i) supplement the information regarding the Transfers and any additional transfers; and (ii) seek recovery of such additional transfers.

## **X. THE COUNTS**

### **COUNT ONE: FRAUDULENT TRANSFERS – BANKRUPTCY CODE §§ 105(a), 548(a)(1)(A), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

191. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

192. Each of the Two-Year Transfers was made on or within two years before the Filing Date.

193. Each of the Two-Year Transfers constitutes a transfer of an interest of BLMIS in property within the meaning of Bankruptcy Code §§ 101(54) and 548(a), and SIPA § 78fff-2(c)(3).

194. BLMIS made each of the Two-Year Transfers with the actual intent to hinder, delay, or defraud some or all of BLMIS's then-existing or future creditors. BLMIS made the Two-Year Transfers to or for the benefit of Square One, in furtherance of a fraudulent investment scheme.

195. Each of the Two-Year Transfers constitutes a fraudulent transfer that the Trustee may avoid under Bankruptcy Code §§ 548(a)(1)(A), and recover from Square One, under Bankruptcy Code § 550(a) and SIPA § 78fff-(2)(c)(3).

196. As a result of the foregoing, under Bankruptcy Code §§ 105(a), 548(a)(1)(A), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Two-Year Transfers; (b) directing that the Two-Year Transfers be set aside; (c) recovering the Two-Year Transfers, or the value thereof, from Square One for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee

all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Two-Year Transfers; (e) imposing a constructive trust the Two-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

**COUNT TWO: FRAUDULENT TRANSFERS – BANKRUPTCY CODE §§ 105(a), 548(a)(1)(B), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

197. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

198. Each of the Two-Year Transfers was made on or within two years before the Filing Date.

199. Each of the Two-Year Transfers constituted a transfer of an interest of BLMIS in property within the meaning of Bankruptcy Code §§ 101(54) and 548(a), and SIPA § 78fff-2(c)(3).

200. BLMIS received less than a reasonably equivalent value in exchange for each of the Two-Year Transfers.

201. At the time of each of the Two-Year Transfers, BLMIS was insolvent, or became insolvent as a result of the Two-Year Transfers.

202. At the time of each of the Two-Year Transfers, BLMIS was engaged in a business or a transaction, or was about to engage in a business or transaction, for which any property remaining with BLMIS was an unreasonably small capital.

203. At the time of each of the Two-Year Transfers, BLMIS intended to incur, or believed that it would incur, debts that would be beyond BLMIS's ability to pay as such debts matured.



204. Each of the Two-Year Transfers constitutes a fraudulent transfer that the Trustee may avoid under Bankruptcy Code §§ 105(a) and 548(a)(1)(B) and recover from Square One, under Bankruptcy Code § 550(a) and SIPA § 78fff-(2)(c)(3).

205. As a result of the foregoing, under Bankruptcy Code §§ 105(a), 548(a)(1)(B), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Two-Year Transfers; (b) directing that the Two-Year Transfers be set aside; (c) recovering the Two-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Two-Year Transfers; (e) imposing a constructive trust over the Two-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

**COUNT THREE: FRAUDULENT TRANSFERS – DCL §§ 276, 276-a, 278 AND/OR 279, BANKRUPTCY CODE §§ 105(a), 544(b), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

206. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

207. At all times relevant to the Six-Year Transfers, there have been one or more creditors holding matured or unmatured unsecured claims against BLMIS that are allowable under Bankruptcy Code § 502 or that are not allowable only under Bankruptcy Code § 502(e).

208. Each of the Six-Year Transfers constituted a conveyance by BLMIS as defined under DCL § 270.

209. Each of the Six-Year Transfers was made by BLMIS with the actual intent to hinder, delay, or defraud some or all of BLMIS's then-existing or future creditors. BLMIS made



the Six-Year Transfers to or for the benefit of Square One, in furtherance of a fraudulent investment scheme.

210. Each of the Six-Year Transfers was received by Square One, with actual intent to hinder, delay, or defraud creditors of BLMIS at the time of each of the Six-Year Transfers, and/or future creditors of BLMIS.

211. As a result of the foregoing, under DCL §§ 276, 276-a, 278 and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

**COUNT FOUR: FRAUDULENT TRANSFERS – DCL §§ 273 AND 278 AND/OR 279, BANKRUPTCY CODE §§ 105(a), 544(b), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

212. The Trustee incorporates by reference the allegations contained in the previous paragraphs of the Complaint as if fully rewritten herein.

213. At all times relevant to the Six-Year Transfers, there have been one or more creditors holding matured or unmatured unsecured claims against BLMIS that are allowable under Bankruptcy Code § 502 or that are not allowable only under Bankruptcy Code § 502(e).

214. Each of the Six-Year Transfers constituted a conveyance by BLMIS as defined under DCL § 270.

215. BLMIS did not receive fair consideration for the Six-Year Transfers.

216. BLMIS was insolvent at the time it made each of the Six-Year Transfers or, in the alternative, BLMIS became insolvent as a result of each of the Six-Year Transfers.

217. As a result of the foregoing, under DCL §§ 273, 278 and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

**COUNT FIVE: FRAUDULENT TRANSFERS – DCL §§ 274, 278, AND/OR 279, BANKRUPTCY CODE §§ 105(a), 544(b), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

218. The Trustee incorporates by reference the allegations contained in the previous paragraphs of the Complaint as if fully rewritten herein.

219. At all times relevant to the Six-Year Transfers, there have been one or more creditors holding matured or unmatured unsecured claims against BLMIS that are allowable under Bankruptcy Code § 502 or that are not allowable only under Bankruptcy Code § 502(e).

220. Each of the Six-Year Transfers constituted a conveyance by BLMIS as defined under DCL § 270.

221. BLMIS did not receive fair consideration for the Six-Year Transfers.

222. At the time BLMIS made each of the Six-Year Transfers, BLMIS was engaged or was about to engage in a business or transaction for which the property remaining in its hands after each of the Six-Year Transfers was an unreasonably small capital.

223. As a result of the foregoing, under DCL §§ 274, 278 and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

**COUNT SIX: FRAUDULENT TRANSFERS – DCL §§ 275, 278 AND/OR 279, BANKRUPTCY CODE §§ 105(a), 544(b), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

224. The Trustee incorporates by reference the allegations contained in the previous paragraphs of the Complaint as if fully rewritten herein.

225. At all times relevant to the Six-Year Transfers, there have been one or more creditors holding matured or unmatured unsecured claims against BLMIS that are allowable under Bankruptcy Code § 502 or that are not allowable only under Bankruptcy Code § 502(e).

226. Each of the Six-Year Transfers constituted a conveyance by BLMIS as defined under DCL § 270.

227. BLMIS did not receive fair consideration for the Six-Year Transfers.

228. At the time BLMIS made each of the Six-Year Transfers, BLMIS had incurred, was intending to incur, or believed that it would incur debts beyond its ability to pay them as the debts matured.

229. As a result of the foregoing, under DCL §§ 275, 278 and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

**COUNT SEVEN: UNDISCOVERED FRAUDULENT TRANSFERS – C.P.L.R. 203(g), 213(8), DCL §§ 276, 276-a, 278 AND/OR 279, BANKRUPTCY CODE §§ 105(a), 544(b), 550(a), AND 551, AND SIPA § 78fff-(2)(c)(3)**

230. The Trustee incorporates by reference the allegations contained in the previous paragraphs of this Complaint as if fully rewritten herein.

231. At all relevant times, the fraudulent scheme perpetrated by BLMIS was not reasonably discoverable by at least one unsecured customer of BLMIS, who holds matured or unmatured unsecured claims against BLMIS that are allowable under Bankruptcy Code § 502 (except to the extent disallowed under Bankruptcy Code § 502(e)).

232. At all times relevant to the Transfers, there have been one or more creditors holding matured or unmatured unsecured claims against BLMIS that are allowable under Bankruptcy Code § 502 or that are not allowable only under Bankruptcy Code § 502(e).

233. Each of the Transfers constituted a conveyance by BLMIS as defined under DCL § 270.

234. Each of the Transfers was made by BLMIS with the actual intent to hinder, delay, or defraud some or all of BLMIS's then-existing or future creditors. BLMIS made the Transfers to or for the benefit of Square One, in furtherance of a fraudulent investment scheme.

235. Each of the Transfers was received by Square One, with actual intent to hinder, delay, or defraud creditors of BLMIS existing at the time of each of the Transfers, and/or future creditors of BLMIS.

236. As a result of the foregoing, under C.P.L.R. 203(g) and 213(8), DCL §§ 276, 276-a, 278 and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), the Trustee is entitled to a judgment: (a) avoiding and preserving the Transfers; (b) directing that the Transfers be set aside; (c) recovering the Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Transfers; (e) imposing a constructive trust over the Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

## **XI. PRAYERS FOR RELIEF**

**WHEREFORE**, the Trustee respectfully requests that this Court enter judgment in favor of the Trustee and against Square One as follows:

(a) On the First Count, under Bankruptcy Code §§ 105(a), 548(a)(1)(A), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Two-Year Transfers; (b) directing that the Two-Year Transfers be set aside; (c) recovering the Two-Year Transfers, or

the value thereof, from Square One for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Two-Year Transfers; (e) imposing a constructive trust the Two-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

(b) On the Second Count, under Bankruptcy Code §§ 105(a), 548(a)(1)(B), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Two-Year Transfers; (b) directing that the Two-Year Transfers be set aside; (c) recovering the Two-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Two-Year Transfers; (e) imposing a constructive trust over the Two-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

(c) On the Third Count, under DCL §§ 276, 276-a, 278, and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other

compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

(d) On the Fourth Count, under DCL §§ 273, 278, and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

(e) On Fifth Count, under DCL §§ 274, 278, and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring,

in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

(f) On the Sixth Count, under DCL §§ 275, 278, and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Six-Year Transfers; (b) directing that the Six-Year Transfers be set aside; (c) recovering the Six-Year Transfers, or the value thereof, from Square One, for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One, related to, arising from, or concerning the Six-Year Transfers; (e) imposing a constructive trust over the Six-Year Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, prejudgment interest, and any other relief the Court deems just and appropriate.

(g) On the Seventh Count, pursuant to C.P.L.R. 203(g) and 213(8), DCL §§ 276, 276-a, 278, and/or 279, Bankruptcy Code §§ 105(a), 544(b), 550(a), and 551, and SIPA § 78fff-2(c)(3), judgment: (a) avoiding and preserving the Transfers; (b) directing that the Transfers be set aside; (c) recovering the Transfers, or the value thereof, from Square One for the benefit of the BLMIS estate; (d) directing Square One, to the extent allowable by law, to disgorge to the Trustee all profits, including any and all management fees, incentive fees, commissions, or other compensation and/or remuneration received by Square One related to or arising from, or concerning the Transfers; (e) imposing a constructive trust over the Transfers, or their proceeds, product or offspring, in favor of the Trustee; and (f) awarding attorneys' fees, costs, and prejudgment interest from Square One; and (g) awarding any other relief the Court deems just and appropriate.



Date: December 21, 2018  
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Bernard L. Madoff Investment Securities LLC and  
the Estate of Bernard L. Madoff*

# Exhibit A

**Exhibit A**

BLMIS Account Name	BLMIS Account Number
SQUARE ONE FUND LTD	1FR048

# Exhibit B

Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
2/1/1999	CHECK WIRE	2,000,000	2,000,000	-	-	-	2,000,000	-	-	-	-
3/4/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	(6)	-	-	1,999,994	-	-	-	(6)
3/31/1999	W/H TAX DIV PEP	(31)	-	(31)	-	-	1,999,963	-	-	-	(31)
3/31/1999	W/H TAX DIV MCD	(11)	-	(11)	-	-	1,999,953	-	-	-	(11)
4/1/1999	W/H TAX DIV ONE	(79)	-	(79)	-	-	1,999,874	-	-	-	(79)
4/1/1999	W/H TAX DIV KO	(63)	-	(63)	-	-	1,999,810	-	-	-	(63)
4/14/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	(4)	-	-	1,999,806	-	-	-	(4)
4/19/1999	W/H TAX DIV WMT	(37)	-	(37)	-	-	1,999,769	-	-	-	(37)
4/26/1999	W/H TAX DIV GE	(184)	-	(184)	-	-	1,999,586	-	-	-	(184)
5/5/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	(0)	-	-	1,999,586	-	-	-	(0)
6/1/1999	W/H TAX DIV WFC	(47)	-	(47)	-	-	1,999,539	-	-	-	(47)
6/1/1999	W/H TAX DIV INTC	(15)	-	(15)	-	-	1,999,524	-	-	-	(15)
6/4/1999	W/H TAX DIV BA	(20)	-	(20)	-	-	1,999,504	-	-	-	(20)
6/8/1999	W/H TAX DIV JNJ	(53)	-	(53)	-	-	1,999,451	-	-	-	(53)
6/10/1999	W/H TAX DIV GM	(50)	-	(50)	-	-	1,999,401	-	-	-	(50)
6/10/1999	W/H TAX DIV IBM	(32)	-	(32)	-	-	1,999,369	-	-	-	(32)
6/10/1999	W/H TAX DIV MOB	(67)	-	(67)	-	-	1,999,302	-	-	-	(67)
6/10/1999	W/H TAX DIV XON	(144)	-	(144)	-	-	1,999,158	-	-	-	(144)
6/14/1999	W/H TAX DIV DD	(57)	-	(57)	-	-	1,999,102	-	-	-	(57)
6/16/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(30)	-	(30)	-	-	1,999,071	-	-	-	(30)
7/6/1999	CHECK WIRE	3,999,970	3,999,970	-	-	-	5,999,041	-	-	-	-
7/8/1999	CHECK WIRE	(1,000,000)	-	(1,000,000)	-	-	4,999,041	-	-	-	(1,000,000)
7/12/1999	W/H TAX DIV WMT	(34)	-	(34)	-	-	4,999,008	-	-	-	(34)
7/14/1999	W/H TAX DIV HWP	(25)	-	(25)	-	-	4,998,983	-	-	-	(25)
7/21/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(19)	-	(19)	-	-	4,998,964	-	-	-	(19)
7/26/1999	W/H TAX DIV GE	(178)	-	(178)	-	-	4,998,786	-	-	-	(178)
8/2/1999	CHECK WIRE	2,000,000	2,000,000	-	-	-	6,998,786	-	-	-	-
8/2/1999	W/H TAX DIV BMY	(64)	-	(64)	-	-	6,998,722	-	-	-	(64)
8/2/1999	W/H TAX DIV AIT	(52)	-	(52)	-	-	6,998,670	-	-	-	(52)
8/2/1999	W/H TAX DIV T	(106)	-	(106)	-	-	6,998,564	-	-	-	(106)
8/2/1999	W/H TAX DIV BEL	(92)	-	(92)	-	-	6,998,472	-	-	-	(92)
8/3/1999	CHECK WIRE	984,000	984,000	-	-	-	7,982,472	-	-	-	-
8/10/1999	W/H TAX DIV AXP	(15)	-	(15)	-	-	7,982,457	-	-	-	(15)
8/24/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(33)	-	(33)	-	-	7,982,423	-	-	-	(33)
9/15/1999	W/H TAX DIV MCD	(37)	-	(37)	-	-	7,982,387	-	-	-	(37)
9/17/1999	W/H TAX DIV AIG	(43)	-	(43)	-	-	7,982,344	-	-	-	(43)
9/24/1999	W/H TAX DIV BAC	(434)	-	(434)	-	-	7,981,910	-	-	-	(434)
9/30/1999	W/H TAX DIV PEP	(111)	-	(111)	-	-	7,981,799	-	-	-	(111)
9/30/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(16)	-	(16)	-	-	7,981,783	-	-	-	(16)
10/1/1999	W/H TAX DIV ONE	(285)	-	(285)	-	-	7,981,498	-	-	-	(285)
10/1/1999	W/H TAX DIV MRK	(393)	-	(393)	-	-	7,981,105	-	-	-	(393)
10/1/1999	W/H TAX DIV KO	(223)	-	(223)	-	-	7,980,882	-	-	-	(223)
10/12/1999	W/H TAX DIV WMT	(125)	-	(125)	-	-	7,980,757	-	-	-	(125)
10/20/1999	W/H TAX DIV HWP	(91)	-	(91)	-	-	7,980,666	-	-	-	(91)
10/20/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	(4)	-	-	7,980,662	-	-	-	(4)
10/25/1999	W/H TAX DIV GE	(637)	-	(637)	-	-	7,980,025	-	-	-	(637)
11/1/1999	CHECK WIRE	2,000,000	2,000,000	-	-	-	9,980,025	-	-	-	-
11/1/1999	W/H TAX DIV BMY	(238)	-	(238)	-	-	9,979,787	-	-	-	(238)
11/1/1999	W/H TAX DIV AIT	(193)	-	(193)	-	-	9,979,594	-	-	-	(193)
11/1/1999	W/H TAX DIV BEL	(330)	-	(330)	-	-	9,979,264	-	-	-	(330)
11/1/1999	W/H TAX DIV T	(385)	-	(385)	-	-	9,978,879	-	-	-	(385)
11/12/1999	CHECK WIRE	500,000	500,000	-	-	-	10,478,879	-	-	-	-
11/10/1999	W/H TAX DIV AXP	(56)	-	(56)	-	-	10,478,823	-	-	-	(56)
11/17/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(30)	-	(30)	-	-	10,478,793	-	-	-	(30)
12/1/1999	CHECK WIRE	830,000	830,000	-	-	-	11,308,793	-	-	-	-
12/3/1999	W/H TAX DIV BA	(25)	-	(25)	-	-	11,308,768	-	-	-	(25)
12/7/1999	W/H TAX DIV JNJ	(71)	-	(71)	-	-	11,308,698	-	-	-	(71)
12/10/1999	W/H TAX DIV MOB	(86)	-	(86)	-	-	11,308,611	-	-	-	(86)
12/10/1999	W/H TAX DIV IBM	(42)	-	(42)	-	-	11,308,569	-	-	-	(42)
12/10/1999	W/H TAX DIV XON	(205)	-	(205)	-	-	11,308,364	-	-	-	(205)
12/10/1999	W/H TAX DIV GM	(63)	-	(63)	-	-	11,308,301	-	-	-	(63)
12/13/1999	W/H TAX DIV MMM	(155)	-	(155)	-	-	11,308,146	-	-	-	(155)
12/14/1999	W/H TAX DIV DD	(66)	-	(66)	-	-	11,308,080	-	-	-	(66)
12/17/1999	W/H TAX DIV DIS	(79)	-	(79)	-	-	11,308,000	-	-	-	(79)

Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
12/31/1999	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	(11)	-	-	11,307,990	-	-	-	(11)
1/1/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	(3)	-	-	11,307,986	-	-	-	(3)
2/1/2000	W/H TAX DIV BEL	(165)	-	(165)	-	-	11,307,821	-	-	-	(165)
2/14/2000	W/H TAX DIV TXN	(24)	-	(24)	-	-	11,307,797	-	-	-	(24)
2/15/2000	W/H TAX DIV PG	(305)	-	(305)	-	-	11,307,492	-	-	-	(305)
2/24/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(50)	-	(50)	-	-	11,307,442	-	-	-	(50)
2/25/2000	W/H TAX DIV C	(387)	-	(387)	-	-	11,307,055	-	-	-	(387)
3/1/2000	W/H TAX DIV F	(438)	-	(438)	-	-	11,306,616	-	-	-	(438)
3/1/2000	W/H TAX DIV INT	(72)	-	(72)	-	-	11,306,544	-	-	-	(72)
3/1/2000	W/H TAX DIV WFC	(256)	-	(256)	-	-	11,306,288	-	-	-	(256)
3/1/2000	W/H TAX DIV LU	(43)	-	(43)	-	-	11,306,245	-	-	-	(43)
3/3/2000	W/H TAX DIV BA	(93)	-	(93)	-	-	11,306,152	-	-	-	(93)
3/7/2000	W/H TAX DIV INJ	(280)	-	(280)	-	-	11,305,871	-	-	-	(280)
3/10/2000	W/H TAX DIV XOM	(1,090)	-	(1,090)	-	-	11,304,781	-	-	-	(1,090)
3/10/2000	W/H TAX DIV IBM	(151)	-	(151)	-	-	11,304,630	-	-	-	(151)
3/10/2000	W/H TAX DIV GM	(229)	-	(229)	-	-	11,304,401	-	-	-	(229)
3/14/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(263)	-	(263)	-	-	11,304,138	-	-	-	(263)
3/23/2000	W/H TAX DIV DD	(15)	-	(15)	-	-	11,304,110	-	-	-	(15)
3/31/2000	W/H TAX DIV PEP	(68)	-	(68)	-	-	11,304,042	-	-	-	(68)
4/3/2000	CHECK WIRE	100,000	100,000	-	-	-	11,404,042	-	-	-	-
4/3/2000	W/H TAX DIV KO	(304)	-	(304)	-	-	11,403,738	-	-	-	(304)
4/10/2000	W/H TAX DIV WMT	(197)	-	(197)	-	-	11,403,541	-	-	-	(197)
4/25/2000	W/H TAX DIV GE	(230)	-	(230)	-	-	11,403,311	-	-	-	(230)
4/28/2000	W/H TAX DIV MWD	(22)	-	(22)	-	-	11,403,289	-	-	-	(22)
4/28/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(50)	-	(50)	-	-	11,403,239	-	-	-	(50)
5/5/2000	CHECK WIRE	1,950,000	1,950,000	-	-	-	13,353,239	-	-	-	-
5/12/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(25)	-	(25)	-	-	13,353,214	-	-	-	(25)
6/1/2000	W/H TAX DIV INT	(33)	-	(33)	-	-	13,353,181	-	-	-	(33)
6/1/2000	W/H TAX DIV WFC	(120)	-	(120)	-	-	13,353,061	-	-	-	(120)
6/7/2000	CHECK WIRE	200,000	200,000	-	-	-	13,553,061	-	-	-	-
6/12/2000	W/H TAX DIV GM	(107)	-	(107)	-	-	13,552,955	-	-	-	(107)
6/12/2000	W/H TAX DIV IBM	(77)	-	(77)	-	-	13,552,878	-	-	-	(77)
6/12/2000	W/H TAX DIV DD	(307)	-	(307)	-	-	13,552,571	-	-	-	(307)
6/12/2000	W/H TAX DIV XOM	(1,299)	-	(1,299)	-	-	13,551,272	-	-	-	(1,299)
6/13/2000	W/H TAX DIV INJ	(221)	-	(221)	-	-	13,551,051	-	-	-	(221)
6/14/2000	CHECK WIRE	2,100,000	2,100,000	-	-	-	15,651,051	-	-	-	-
6/21/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(36)	-	(36)	-	-	15,651,015	-	-	-	(36)
7/5/2000	CHECK WIRE	260,195	260,195	-	-	-	15,911,210	-	-	-	-
7/10/2000	W/H TAX DIV WMT	(39)	-	(39)	-	-	15,911,171	-	-	-	(39)
7/18/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	(3)	-	-	15,911,169	-	-	-	(3)
8/3/2000	W/H TAX DIV AIG	(12)	-	(12)	-	-	15,911,157	-	-	-	(12)
8/8/2000	CHECK WIRE	873,000	873,000	-	-	-	16,784,157	-	-	-	-
8/15/2000	W/H TAX DIV PG	(236)	-	(236)	-	-	16,783,921	-	-	-	(236)
8/15/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(17)	-	(17)	-	-	16,783,903	-	-	-	(17)
8/21/2000	W/H TAX DIV TXN	(30)	-	(30)	-	-	16,783,873	-	-	-	(30)
8/24/2000	W/H TAX DIV MER	(108)	-	(108)	-	-	16,783,764	-	-	-	(108)
8/25/2000	W/H TAX DIV C	(556)	-	(556)	-	-	16,783,209	-	-	-	(556)
9/1/2000	W/H TAX DIV INT	(121)	-	(121)	-	-	16,783,088	-	-	-	(121)
9/1/2000	W/H TAX DIV LU	(62)	-	(62)	-	-	16,783,026	-	-	-	(62)
9/1/2000	W/H TAX DIV WFC	(320)	-	(320)	-	-	16,782,706	-	-	-	(320)
9/11/2000	W/H TAX DIV XOM	(769)	-	(769)	-	-	16,781,937	-	-	-	(769)
9/11/2000	W/H TAX DIV IBM	(212)	-	(212)	-	-	16,781,725	-	-	-	(212)
9/15/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(21)	-	(21)	-	-	16,781,704	-	-	-	(21)
10/2/2000	W/H TAX DIV KO	(232)	-	(232)	-	-	16,781,472	-	-	-	(232)
10/5/2000	W/H TAX DIV AV	(4)	-	(4)	-	-	16,781,468	-	-	-	(4)
10/10/2000	W/H TAX DIV WMT	(149)	-	(149)	-	-	16,781,320	-	-	-	(149)
10/1/2000	W/H TAX DIV HWP	(155)	-	(155)	-	-	16,781,164	-	-	-	(155)
10/18/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(10)	-	(10)	-	-	16,781,154	-	-	-	(10)
10/25/2000	W/H TAX DIV GE	(1,316)	-	(1,316)	-	-	16,779,838	-	-	-	(1,316)
10/27/2000	W/H TAX DIV MWD	(222)	-	(222)	-	-	16,779,616	-	-	-	(222)
11/1/2000	CHECK WIRE	180,000	180,000	-	-	-	16,959,616	-	-	-	-
11/1/2000	W/H TAX DIV T	(815)	-	(815)	-	-	16,958,801	-	-	-	(815)
11/1/2000	W/H TAX DIV BMY	(472)	-	(472)	-	-	16,958,329	-	-	-	(472)

Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
11/1/2000	W/H TAX DIV PHA	(149)	-	(149)	-	-	16,958,180	-	-	-	(149)
11/1/2000	W/H TAX DIV VZ	(1,021)	-	(1,021)	-	-	16,957,159	-	-	-	(1,021)
11/10/2000	W/H TAX DIV AXF	(104)	-	(104)	-	-	16,957,055	-	-	-	(104)
12/1/2000	W/H TAX DIV BA	(1)	-	(1)	-	-	16,957,054	-	-	-	(1)
12/11/2000	W/H TAX DIV XOM	(13)	-	(13)	-	-	16,957,041	-	-	-	(13)
12/11/2000	W/H TAX DIV IBM	(2)	-	(2)	-	-	16,957,040	-	-	-	(2)
12/12/2000	W/H TAX DIV JNJ	(89)	-	(89)	-	-	16,956,950	-	-	-	(89)
12/18/2000	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(116)	-	(116)	-	-	16,956,835	-	-	-	(116)
1/18/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	(7)	-	-	16,956,828	-	-	-	(7)
1/30/2001	W/H TAX DIV MWD	(120)	-	(120)	-	-	16,956,708	-	-	-	(120)
2/1/2001	W/H TAX DIV PHA	(76)	-	(76)	-	-	16,956,632	-	-	-	(76)
2/11/2001	W/H TAX DIV VZ	(501)	-	(501)	-	-	16,956,131	-	-	-	(501)
2/12/2001	W/H TAX DIV TXN	(42)	-	(42)	-	-	16,956,089	-	-	-	(42)
2/15/2001	W/H TAX DIV PG	(314)	-	(314)	-	-	16,955,774	-	-	-	(314)
2/22/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	(1)	-	-	16,955,773	-	-	-	(1)
2/23/2001	W/H TAX DIV C	(784)	-	(784)	-	-	16,954,989	-	-	-	(784)
3/1/2001	W/H TAX DIV LU	(43)	-	(43)	-	-	16,954,946	-	-	-	(43)
3/1/2001	W/H TAX DIV WFC	(450)	-	(450)	-	-	16,954,497	-	-	-	(450)
3/1/2001	W/H TAX DIV INTC	(156)	-	(156)	-	-	16,954,341	-	-	-	(156)
3/8/2001	W/H TAX DIV PFE	(807)	-	(807)	-	-	16,953,533	-	-	-	(807)
3/9/2001	W/H TAX DIV XOM	(1,680)	-	(1,680)	-	-	16,951,854	-	-	-	(1,680)
3/12/2001	W/H TAX DIV IBM	(266)	-	(266)	-	-	16,951,588	-	-	-	(266)
3/13/2001	W/H TAX DIV JNJ	(215)	-	(215)	-	-	16,951,373	-	-	-	(215)
3/19/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(19)	-	(19)	-	-	16,951,354	-	-	-	(19)
3/22/2001	W/H TAX DIV HD	(15)	-	(15)	-	-	16,951,339	-	-	-	(15)
3/30/2001	W/H TAX DIV PEP	(34)	-	(34)	-	-	16,951,304	-	-	-	(34)
4/2/2001	W/H TAX DIV KO	(72)	-	(72)	-	-	16,951,232	-	-	-	(72)
4/2/2001	W/H TAX DIV MRK	(123)	-	(123)	-	-	16,951,110	-	-	-	(123)
4/9/2001	W/H TAX DIV WMT	(197)	-	(197)	-	-	16,950,912	-	-	-	(197)
4/11/2001	W/H TAX DIV HWP	(103)	-	(103)	-	-	16,950,809	-	-	-	(103)
4/24/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(8)	-	(8)	-	-	16,950,801	-	-	-	(8)
4/27/2001	W/H TAX DIV MWD	(161)	-	(161)	-	-	16,950,640	-	-	-	(161)
4/30/2001	W/H TAX DIV JPM	(406)	-	(406)	-	-	16,950,234	-	-	-	(406)
5/1/2001	W/H TAX DIV PHA	(99)	-	(99)	-	-	16,950,135	-	-	-	(99)
5/1/2001	W/H TAX DIV VZ	(663)	-	(663)	-	-	16,949,472	-	-	-	(663)
5/1/2001	W/H TAX DIV T	(90)	-	(90)	-	-	16,949,382	-	-	-	(90)
5/1/2001	W/H TAX DIV BMY	(338)	-	(338)	-	-	16,949,044	-	-	-	(338)
5/2/2001	W/H TAX DIV TYC	(14)	-	(14)	-	-	16,949,030	-	-	-	(14)
5/10/2001	W/H TAX DIV AXF	(67)	-	(67)	-	-	16,948,963	-	-	-	(67)
5/15/2001	W/H TAX DIV PG	(288)	-	(288)	-	-	16,948,675	-	-	-	(288)
6/19/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(81)	-	(81)	-	-	16,948,594	-	-	-	(81)
7/2/2001	W/H TAX DIV KO	(551)	-	(551)	-	-	16,948,043	-	-	-	(551)
7/9/2001	W/H TAX DIV WMT	(387)	-	(387)	-	-	16,947,656	-	-	-	(387)
7/11/2001	W/H TAX DIV HWP	(197)	-	(197)	-	-	16,947,459	-	-	-	(197)
7/11/2001	W/H TAX DIV XOM	(87)	-	(87)	-	-	16,947,372	-	-	-	(87)
7/23/2001	W/H TAX DIV MWD	(318)	-	(318)	-	-	16,947,054	-	-	-	(318)
7/25/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(9)	-	(9)	-	-	16,947,045	-	-	-	(9)
7/25/2001	W/H TAX DIV GE	(2,021)	-	(2,021)	-	-	16,945,024	-	-	-	(2,021)
7/31/2001	W/H TAX DIV JPM	(805)	-	(805)	-	-	16,944,218	-	-	-	(805)
8/1/2001	W/H TAX DIV PHA	(213)	-	(213)	-	-	16,944,005	-	-	-	(213)
8/1/2001	W/H TAX DIV BMY	(679)	-	(679)	-	-	16,943,327	-	-	-	(679)
8/1/2001	W/H TAX DIV TYC	(30)	-	(30)	-	-	16,943,297	-	-	-	(30)
8/1/2001	W/H TAX DIV VZ	(1,292)	-	(1,292)	-	-	16,942,005	-	-	-	(1,292)
8/8/2001	CHECK WIRE	(40,000)	-	(40,000)	-	-	16,902,005	-	-	-	(40,000)
8/10/2001	W/H TAX DIV AXF	(134)	-	(134)	-	-	16,901,871	-	-	-	(134)
8/15/2001	W/H TAX DIV PG	(281)	-	(281)	-	-	16,901,590	-	-	-	(281)
8/24/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(10)	-	(10)	-	-	16,901,580	-	-	-	(10)
9/10/2001	CHECK WIRE	(2,320)	-	(2,320)	-	-	16,899,260	-	-	-	(2,320)
9/13/2001	W/H TAX DIV HD	(127)	-	(127)	-	-	16,899,132	-	-	-	(127)
9/28/2001	W/H TAX DIV BAC	(1,216)	-	(1,216)	-	-	16,897,916	-	-	-	(1,216)
9/28/2001	W/H TAX DIV PEP	(352)	-	(352)	-	-	16,897,564	-	-	-	(352)
10/1/2001	W/H TAX DIV KO	(606)	-	(606)	-	-	16,896,958	-	-	-	(606)
10/1/2001	W/H TAX DIV MRK	(1,102)	-	(1,102)	-	-	16,895,856	-	-	-	(1,102)
10/9/2001	W/H TAX DIV WMT	(428)	-	(428)	-	-	16,895,428	-	-	-	(428)

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Exhibit B

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
10/10/2001	W/H TAX DIV HWP	(214)	-	(214)	-	-	16,895,213	-	-	-	(214)
10/15/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(97)	-	(97)	-	-	16,895,116	-	-	-	(97)
10/16/2001	CHECK WIRE	(3,000)	-	(3,000)	-	-	16,892,116	-	-	-	(3,000)
10/25/2001	W/H TAX DIV GE	(2,190)	-	(2,190)	-	-	16,889,926	-	-	-	(2,190)
10/26/2001	W/H TAX DIV MWD	(358)	-	(358)	-	-	16,889,568	-	-	-	(358)
10/31/2001	W/H TAX DIV JPM	(923)	-	(923)	-	-	16,888,645	-	-	-	(923)
11/1/2001	W/H TAX DIV TYC	(34)	-	(34)	-	-	16,888,611	-	-	-	(34)
11/1/2001	W/H TAX DIV PHA	(235)	-	(235)	-	-	16,888,376	-	-	-	(235)
11/1/2001	W/H TAX DIV BMY	(736)	-	(736)	-	-	16,887,640	-	-	-	(736)
11/1/2001	W/H TAX DIV T	(178)	-	(178)	-	-	16,887,462	-	-	-	(178)
11/1/2001	W/H TAX DIV VZ	(1,422)	-	(1,422)	-	-	16,886,041	-	-	-	(1,422)
11/9/2001	W/H TAX DIV AXP	(145)	-	(145)	-	-	16,885,896	-	-	-	(145)
11/15/2001	W/H TAX DIV PG	(660)	-	(660)	-	-	16,885,235	-	-	-	(660)
11/19/2001	W/H TAX DIV TXN	(52)	-	(52)	-	-	16,885,184	-	-	-	(52)
11/19/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	(7)	-	-	16,885,177	-	-	-	(7)
11/21/2001	W/H TAX DIV C	(1,107)	-	(1,107)	-	-	16,884,070	-	-	-	(1,107)
11/30/2001	CHECK WIRE	(10,851)	-	(10,851)	-	-	16,873,219	-	-	-	(10,851)
12/3/2001	W/H TAX DIV WFC	(612)	-	(612)	-	-	16,872,606	-	-	-	(612)
12/3/2001	W/H TAX DIV INTC	(188)	-	(188)	-	-	16,872,419	-	-	-	(188)
12/3/2001	CHECK WIRE	(80,000)	-	(80,000)	-	-	16,792,419	-	-	-	(80,000)
12/3/2001	W/H TAX DIV MCD	(382)	-	(382)	-	-	16,792,036	-	-	-	(382)
12/6/2001	W/H TAX DIV PFE	(626)	-	(626)	-	-	16,791,411	-	-	-	(626)
12/10/2001	W/H TAX DIV XOM	(2,191)	-	(2,191)	-	-	16,789,220	-	-	-	(2,191)
12/10/2001	W/H TAX DIV IBM	(334)	-	(334)	-	-	16,788,885	-	-	-	(334)
12/14/2001	W/H TAX DIV DD	(483)	-	(483)	-	-	16,788,402	-	-	-	(483)
12/31/2001	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	(3)	-	-	16,788,399	-	-	-	(3)
1/7/2002	W/H TAX DIV WMT	(79)	-	(79)	-	-	16,788,321	-	-	-	(79)
1/10/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	(4)	-	-	16,788,317	-	-	-	(4)
1/10/2002	CHECK WIRE	(80,000)	-	(80,000)	-	-	16,708,317	-	-	-	(80,000)
1/25/2002	W/H TAX DIV MWD	(225)	-	(225)	-	-	16,708,092	-	-	-	(225)
2/1/2002	W/H TAX DIV PHA	(152)	-	(152)	-	-	16,707,939	-	-	-	(152)
2/1/2002	W/H TAX DIV SBC	(758)	-	(758)	-	-	16,707,181	-	-	-	(758)
2/1/2002	W/H TAX DIV VZ	(916)	-	(916)	-	-	16,706,265	-	-	-	(916)
2/11/2002	W/H TAX DIV TXN	(49)	-	(49)	-	-	16,706,216	-	-	-	(49)
2/15/2002	W/H TAX DIV PG	(645)	-	(645)	-	-	16,705,572	-	-	-	(645)
2/22/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(15)	-	(15)	-	-	16,705,556	-	-	-	(15)
3/1/2002	W/H TAX DIV INTC	(182)	-	(182)	-	-	16,704,480	-	-	-	(182)
3/1/2002	W/H TAX DIV WFC	(588)	-	(588)	-	-	16,703,710	-	-	-	(588)
3/6/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	(2)	-	-	16,703,709	-	-	-	(2)
3/7/2002	W/H TAX DIV PFE	(1,079)	-	(1,079)	-	-	16,702,630	-	-	-	(1,079)
3/11/2002	W/H TAX DIV IBM	(317)	-	(317)	-	-	16,702,313	-	-	-	(317)
3/11/2002	W/H TAX DIV BUD	(232)	-	(232)	-	-	16,702,081	-	-	-	(232)
3/11/2002	W/H TAX DIV XOM	(2,079)	-	(2,079)	-	-	16,700,001	-	-	-	(2,079)
3/12/2002	W/H TAX DIV JNJ	(452)	-	(452)	-	-	16,699,549	-	-	-	(452)
3/14/2002	W/H TAX DIV DD	(475)	-	(475)	-	-	16,699,074	-	-	-	(475)
3/15/2002	W/H TAX DIV AIG	(65)	-	(65)	-	-	16,699,009	-	-	-	(65)
3/22/2002	W/H TAX DIV BAC	(568)	-	(568)	-	-	16,698,442	-	-	-	(568)
3/28/2002	W/H TAX DIV HD	(161)	-	(161)	-	-	16,698,281	-	-	-	(161)
4/1/2002	W/H TAX DIV KO	(699)	-	(699)	-	-	16,697,581	-	-	-	(699)
4/1/2002	W/H TAX DIV PEP	(350)	-	(350)	-	-	16,697,232	-	-	-	(350)
4/1/2002	W/H TAX DIV MRK	(1,122)	-	(1,122)	-	-	16,696,110	-	-	-	(1,122)
4/1/2002	W/H TAX DIV ONE	(187)	-	(187)	-	-	16,695,923	-	-	-	(187)
4/10/2002	W/H TAX DIV MO	(1,749)	-	(1,749)	-	-	16,694,175	-	-	-	(1,749)
4/18/2002	W/H TAX DIV WMT	(468)	-	(468)	-	-	16,693,707	-	-	-	(468)
4/23/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	(1)	-	-	16,693,706	-	-	-	(1)
4/25/2002	W/H TAX DIV GE	(1,080)	-	(1,080)	-	-	16,692,626	-	-	-	(1,080)
4/26/2002	W/H TAX DIV MDT	(97)	-	(97)	-	-	16,692,529	-	-	-	(97)
4/30/2002	W/H TAX DIV MWD	(353)	-	(353)	-	-	16,692,176	-	-	-	(353)
4/30/2002	W/H TAX DIV JPM	(943)	-	(943)	-	-	16,691,233	-	-	-	(943)
5/1/2002	W/H TAX DIV VZ	(1,473)	-	(1,473)	-	-	16,689,760	-	-	-	(1,473)
5/1/2002	W/H TAX DIV SBC	(1,275)	-	(1,275)	-	-	16,688,486	-	-	-	(1,275)
5/1/2002	W/H TAX DIV TYC	(35)	-	(35)	-	-	16,688,450	-	-	-	(35)
5/1/2002	W/H TAX DIV PHA	(244)	-	(244)	-	-	16,688,206	-	-	-	(244)



Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
5/1/2002	W/H TAX DIV BMY	(762)	-	(762)	-	-	16,687,444	-	-	-	(762)
8/1/2002	W/H TAX DIV T	(185)	-	(185)	-	-	16,687,258	-	-	-	(185)
5/10/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(5)	-	(5)	-	-	16,687,253	-	-	-	(5)
5/15/2002	W/H TAX DIV PG	(365)	-	(365)	-	-	16,686,888	-	-	-	(365)
5/17/2002	CHECK WIRE	(70,000)	-	(70,000)	-	-	16,616,888	-	-	-	(70,000)
5/24/2002	W/H TAX DIV C	(714)	-	(714)	-	-	16,616,174	-	-	-	(714)
6/3/2002	W/H TAX DIV WFC	(741)	-	(741)	-	-	16,615,434	-	-	-	(741)
6/3/2002	W/H TAX DIV INTC	(101)	-	(101)	-	-	16,615,332	-	-	-	(101)
6/6/2002	W/H TAX DIV PFE	(1,290)	-	(1,290)	-	-	16,614,042	-	-	-	(1,290)
6/10/2002	W/H TAX DIV XOM	(2,465)	-	(2,465)	-	-	16,611,577	-	-	-	(2,465)
6/10/2002	W/H TAX DIV IBM	(412)	-	(412)	-	-	16,611,165	-	-	-	(412)
6/10/2002	W/H TAX DIV BUD	(181)	-	(181)	-	-	16,610,984	-	-	-	(181)
6/11/2002	W/H TAX DIV BUD	(354)	-	(354)	-	-	16,610,630	-	-	-	(354)
6/12/2002	W/H TAX DIV DD	(410)	-	(410)	-	-	16,610,220	-	-	-	(410)
6/25/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	(3)	-	-	16,610,218	-	-	-	(3)
7/10/2002	W/H TAX DIV MO	(297)	-	(297)	-	-	16,609,921	-	-	-	(297)
7/15/2002	W/H TAX DIV USB	(96)	-	(96)	-	-	16,609,826	-	-	-	(96)
7/19/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	(2)	-	-	16,609,824	-	-	-	(2)
7/25/2002	W/H TAX DIV GE	(456)	-	(456)	-	-	16,609,368	-	-	-	(456)
7/26/2002	W/H TAX DIV MDT	(19)	-	(19)	-	-	16,609,349	-	-	-	(19)
7/26/2002	W/H TAX DIV MWD	(64)	-	(64)	-	-	16,609,286	-	-	-	(64)
7/26/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	(1)	-	-	16,609,285	-	-	-	(1)
7/31/2002	W/H TAX DIV JPM	(174)	-	(174)	-	-	16,609,111	-	-	-	(174)
8/1/2002	W/H TAX DIV BMY	(137)	-	(137)	-	-	16,608,974	-	-	-	(137)
8/1/2002	W/H TAX DIV T	(36)	-	(36)	-	-	16,608,938	-	-	-	(36)
8/1/2002	W/H TAX DIV VZ	(262)	-	(262)	-	-	16,608,676	-	-	-	(262)
8/1/2002	W/H TAX DIV SBC	(224)	-	(224)	-	-	16,608,451	-	-	-	(224)
8/1/2002	W/H TAX DIV PFA	(43)	-	(43)	-	-	16,608,408	-	-	-	(43)
8/9/2002	W/H TAX DIV AXP	(26)	-	(26)	-	-	16,608,383	-	-	-	(26)
8/15/2002	CHECK WIRE	200,000	200,000	-	-	-	16,808,383	-	-	-	-
8/16/2002	CHECK WIRE	(200,000)	-	(200,000)	-	-	16,608,383	-	-	-	(200,000)
8/19/2002	W/H TAX DIV MON	(1)	-	(1)	-	-	16,608,382	-	-	-	(1)
8/19/2002	W/H TAX DIV TXN	(73)	-	(73)	-	-	16,608,308	-	-	-	(73)
8/23/2002	W/H TAX DIV C	(1,904)	-	(1,904)	-	-	16,606,404	-	-	-	(1,904)
8/26/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	(7)	-	-	16,606,398	-	-	-	(7)
9/3/2002	CHECK WIRE	700,000	700,000	-	-	-	17,306,398	-	-	-	-
9/3/2002	W/H TAX DIV WFC	(963)	-	(963)	-	-	17,305,435	-	-	-	(963)
9/3/2002	W/H TAX DIV INTC	(268)	-	(268)	-	-	17,305,167	-	-	-	(268)
9/5/2002	W/H TAX DIV PFE	(1,640)	-	(1,640)	-	-	17,303,528	-	-	-	(1,640)
9/5/2002	W/H TAX DIV G	(335)	-	(335)	-	-	17,303,192	-	-	-	(335)
9/6/2002	W/H TAX DIV BA	(282)	-	(282)	-	-	17,302,911	-	-	-	(282)
9/9/2002	W/H TAX DIV BUD	(335)	-	(335)	-	-	17,302,576	-	-	-	(335)
9/10/2002	W/H TAX DIV JNJ	(400)	-	(400)	-	-	17,302,175	-	-	-	(400)
9/10/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3,098)	-	(3,098)	-	-	17,299,077	-	-	-	(3,098)
9/10/2002	W/H TAX DIV IBM	(2)	-	(2)	-	-	17,299,075	-	-	-	(2)
9/12/2002	W/H TAX DIV DD	(506)	-	(506)	-	-	17,298,569	-	-	-	(506)
10/17/2002	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(684)	-	(684)	-	-	17,297,885	-	-	-	(684)
11/15/2002	W/H TAX DIV CL	(11)	-	(11)	-	-	17,297,874	-	-	-	(11)
11/15/2002	W/H TAX DIV CL	(117)	-	(117)	-	-	17,297,757	-	-	-	(117)
11/15/2002	W/H TAX DIV PG	(406)	-	(406)	-	-	17,297,351	-	-	-	(406)
11/18/2002	W/H TAX DIV TXN	(42)	-	(42)	-	-	17,297,310	-	-	-	(42)
11/22/2002	W/H TAX DIV C	(1,035)	-	(1,035)	-	-	17,296,275	-	-	-	(1,035)
11/25/2002	W/H TAX DIV GS	(65)	-	(65)	-	-	17,296,210	-	-	-	(65)
11/27/2002	W/H TAX DIV MER	(162)	-	(162)	-	-	17,296,048	-	-	-	(162)
1/6/2003	W/H TAX DIV HCA	(13)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV JNJ	(190)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV WFC	(555)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV DD	(288)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV INTC	(155)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV G	(199)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV UTX	(94)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(33)	-	*	[1]	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV IBM	(293)	-	*	[1]	-	17,296,048	-	-	-	-

BLMIS ACCOUNT NO. 1FR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
1/6/2003	W/H TAX DIV BA	(118)	-	* (1)	-	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV PFE	(660)	-	* (1)	-	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV BUD	(197)	-	* (1)	-	-	17,296,048	-	-	-	-
1/6/2003	W/H TAX DIV XOM	(1,792)	-	* (1)	-	-	17,296,048	-	-	-	-
1/10/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	17,296,048	-	-	-	-
1/16/2003	CHECK WIRE	800,000	800,000	-	-	-	18,096,048	-	-	-	-
1/31/2003	W/H TAX DIV MWD	(252)	-	* (1)	-	-	18,096,048	-	-	-	-
2/3/2003	W/H TAX DIV VZ	(1,071)	-	* (1)	-	-	18,096,048	-	-	-	-
2/3/2003	W/H TAX DIV PHA	(315)	-	* (1)	-	-	18,096,048	-	-	-	-
2/3/2003	W/H TAX DIV SBC	(911)	-	* (1)	-	-	18,096,048	-	-	-	-
2/10/2003	W/H TAX DIV TXN	(66)	-	* (1)	-	-	18,096,048	-	-	-	-
2/14/2003	W/H TAX DIV PG	(957)	-	* (1)	-	-	18,096,048	-	-	-	-
2/14/2003	W/H TAX DIV CL	(180)	-	* (1)	-	-	18,096,048	-	-	-	-
2/14/2003	W/H TAX DIV PFE	(1,675)	-	* (1)	-	-	18,096,048	-	-	-	-
2/27/2003	W/H TAX DIV GS	(100)	-	* (1)	-	-	18,096,048	-	-	-	-
2/28/2003	W/H TAX DIV C	(1,877)	-	* (1)	-	-	18,096,048	-	-	-	-
2/28/2003	W/H TAX DIV MER	(248)	-	* (1)	-	-	18,096,048	-	-	-	-
3/3/2003	W/H TAX DIV WFC	(925)	-	* (1)	-	-	18,096,048	-	-	-	-
3/3/2003	W/H TAX DIV INTC	(242)	-	* (1)	-	-	18,096,048	-	-	-	-
3/5/2003	W/H 1/31/03G	(311)	-	* (1)	-	-	18,096,048	-	-	-	-
3/7/2003	W/H TAX DIV MSFT	(1,217)	-	* (1)	-	-	18,096,048	-	-	-	-
3/7/2003	W/H TAX DIV BA	(255)	-	* (1)	-	-	18,096,048	-	-	-	-
3/10/2003	W/H TAX DIV BUD	(293)	-	* (1)	-	-	18,096,048	-	-	-	-
3/10/2003	W/H TAX DIV UTX	(204)	-	* (1)	-	-	18,096,048	-	-	-	-
3/10/2003	W/H TAX DIV XOM	(2,809)	-	* (1)	-	-	18,096,048	-	-	-	-
3/10/2003	W/H TAX DIV IBM	(457)	-	* (1)	-	-	18,096,048	-	-	-	-
3/11/2003	W/H TAX DIV JNJ	(1,101)	-	* (1)	-	-	18,096,048	-	-	-	-
3/12/2003	W/H TAX DIV MMM	(344)	-	* (1)	-	-	18,096,048	-	-	-	-
3/14/2003	W/H TAX DIV DD	(642)	-	* (1)	-	-	18,096,048	-	-	-	-
3/17/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(56)	-	* (1)	-	-	18,096,048	-	-	-	-
4/7/2003	W/H TAX DIV WMT	(834)	-	* (1)	-	-	18,096,048	-	-	-	-
4/9/2003	W/H TAX DIV HPQ	(526)	-	* (1)	-	-	18,096,048	-	-	-	-
4/11/2003	CHECK WIRE	(4,000,000)	-	(4,000,000)	-	-	14,096,048	-	-	(4,000,000)	(4,000,000)
4/15/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(24)	-	* (1)	-	-	14,096,048	-	-	-	-
5/9/2003	CHECK WIRE	(163,000)	-	(163,000)	-	-	13,933,048	-	-	(163,000)	(163,000)
5/9/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(30)	-	* (1)	-	-	13,933,048	-	-	-	-
5/19/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	13,933,048	-	-	-	-
5/28/2003	W/H TAX DIV MER	(175)	-	* (1)	-	-	13,933,048	-	-	-	-
5/30/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	13,933,048	-	-	-	-
6/2/2003	W/H TAX DIV INTC	(95)	-	* (1)	-	-	13,933,048	-	-	-	-
6/2/2003	W/H TAX DIV WFC	(654)	-	* (1)	-	-	13,933,048	-	-	-	-
6/5/2003	W/H TAX DIV PFE	(1,567)	-	* (1)	-	-	13,933,048	-	-	-	-
6/9/2003	W/H TAX DIV BUD	(213)	-	* (1)	-	-	13,933,048	-	-	-	-
6/10/2003	W/H TAX DIV IBM	(349)	-	* (1)	-	-	13,933,048	-	-	-	-
6/10/2003	W/H TAX DIV JNJ	(931)	-	* (1)	-	-	13,933,048	-	-	-	-
6/10/2003	W/H TAX DIV UTX	(164)	-	* (1)	-	-	13,933,048	-	-	-	-
6/10/2003	W/H TAX DIV XOM	(2,195)	-	* (1)	-	-	13,933,048	-	-	-	-
6/12/2003	W/H TAX DIV DD	(467)	-	* (1)	-	-	13,933,048	-	-	-	-
6/12/2003	W/H TAX DIV MMM	(320)	-	* (1)	-	-	13,933,048	-	-	-	-
6/13/2003	CHECK WIRE	(1,150,348)	-	(1,150,348)	-	-	12,782,700	-	-	(1,150,348)	(1,150,348)
6/20/2003	W/H TAX DIV AIG	(196)	-	* (1)	-	-	12,782,700	-	-	-	-
6/25/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	12,782,700	-	-	-	-
6/26/2003	W/H TAX DIV HD	(224)	-	* (1)	-	-	12,782,700	-	-	-	-
6/27/2003	W/H TAX DIV BAC	(1,528)	-	* (1)	-	-	12,782,700	-	-	-	-
6/30/2003	W/H TAX DIV PEP	(442)	-	* (1)	-	-	12,782,700	-	-	-	-

Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
7/1/2003	W/H TAX DIV KO	(879)	-	* (1)	-	-	12,782,700	-	-	-	-
7/1/2003	W/H TAX DIV ONE	(396)	-	* (1)	-	-	12,782,700	-	-	-	-
7/1/2003	W/H TAX DIV MRK	(1,280)	-	* (1)	-	-	12,782,700	-	-	-	-
7/1/2003	W/H TAX DIV ALL	(223)	-	* (1)	-	-	12,782,700	-	-	-	-
7/3/2003	W/H TAX DIV SLB	(136)	-	* (1)	-	-	12,782,700	-	-	-	-
7/7/2003	W/H TAX DIV WMT	(296)	-	* (1)	-	-	12,782,700	-	-	-	-
7/8/2003	W/H TAX DIV MO	(2,120)	-	* (1)	-	-	12,782,700	-	-	-	-
7/9/2003	W/H TAX DIV HPQ	(392)	-	* (1)	-	-	12,782,700	-	-	-	-
7/10/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	* (1)	-	-	12,782,700	-	-	-	-
7/21/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	* (1)	-	-	12,782,700	-	-	-	-
7/31/2003	W/H TAX DIV MWD	(358)	-	* (1)	-	-	12,782,700	-	-	-	-
8/1/2003	W/H TAX DIV VZ	(1,497)	-	* (1)	-	-	12,782,700	-	-	-	-
8/1/2003	W/H TAX DIV SBC	(1,785)	-	* (1)	-	-	12,782,700	-	-	-	-
8/15/2003	W/H TAX DIV PG	(826)	-	* (1)	-	-	12,782,700	-	-	-	-
8/15/2003	W/H TAX DIV CL	(187)	-	* (1)	-	-	12,782,700	-	-	-	-
8/18/2003	W/H TAX DIV TXN	(52)	-	* (1)	-	-	12,782,700	-	-	-	-
8/22/2003	W/H TAX DIV C	(2,555)	-	* (1)	-	-	12,782,700	-	-	-	-
8/27/2003	W/H TAX DIV MER	(207)	-	* (1)	-	-	12,782,700	-	-	-	-
8/28/2003	W/H TAX DIV GS	(162)	-	* (1)	-	-	12,782,700	-	-	-	-
9/2/2003	W/H TAX DIV INTC	(185)	-	* (1)	-	-	12,782,700	-	-	-	-
9/2/2003	W/H TAX DIV WFC	(1,050)	-	* (1)	-	-	12,782,700	-	-	-	-
9/4/2003	W/H TAX DIV PFE	(1,030)	-	* (1)	-	-	12,782,700	-	-	-	-
9/5/2003	W/H TAX DIV BA	(123)	-	* (1)	-	-	12,782,700	-	-	-	-
9/5/2003	W/H TAX DIV G	(232)	-	* (1)	-	-	12,782,700	-	-	-	-
9/5/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(17)	-	* (1)	-	-	12,782,700	-	-	-	-
9/9/2003	W/H TAX DIV BUD	(257)	-	* (1)	-	-	12,782,700	-	-	-	-
9/10/2003	W/H TAX DIV XOM	(2,357)	-	* (1)	-	-	12,782,700	-	-	-	-
9/10/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	12,782,700	-	-	-	-
9/10/2003	W/H TAX DIV IBM	(394)	-	* (1)	-	-	12,782,700	-	-	-	-
9/12/2003	W/H TAX DIV DD	(309)	-	* (1)	-	-	12,782,700	-	-	-	-
9/19/2003	W/H TAX DIV AIG	(81)	-	* (1)	-	-	12,782,700	-	-	-	-
9/23/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	12,782,700	-	-	-	-
9/26/2003	W/H TAX DIV BAC	(583)	-	* (1)	-	-	12,782,700	-	-	-	-
9/30/2003	W/H TAX DIV PEP	(316)	-	* (1)	-	-	12,782,700	-	-	-	-
10/1/2003	W/H TAX DIV MRK	(397)	-	* (1)	-	-	12,782,700	-	-	-	-
10/1/2003	W/H TAX DIV ONE	(337)	-	* (1)	-	-	12,782,700	-	-	-	-
10/1/2003	W/H TAX DIV VIA,B	(92)	-	* (1)	-	-	12,782,700	-	-	-	-
10/1/2003	W/H TAX DIV KO	(626)	-	* (1)	-	-	12,782,700	-	-	-	-
10/8/2003	W/H TAX DIV HPQ	(282)	-	* (1)	-	-	12,782,700	-	-	-	-
10/9/2003	W/H TAX DIV MO	(1,623)	-	* (1)	-	-	12,782,700	-	-	-	-
10/14/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	* (1)	-	-	12,782,700	-	-	-	-
10/21/2003	CHECK WIRE	(2,069,698)	-	(2,069,698)	-	-	10,713,003	-	-	(2,069,698)	(2,069,698)
10/23/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	10,713,003	-	-	-	-
10/31/2003	W/H TAX DIV MWD	(248)	-	* (1)	-	-	10,713,003	-	-	-	-
11/3/2003	W/H TAX DIV VZ	(1,074)	-	* (1)	-	-	10,713,003	-	-	-	-
11/3/2003	W/H TAX DIV SBC	(941)	-	* (1)	-	-	10,713,003	-	-	-	-
11/3/2003	W/H TAX DIV SBC	(333)	-	* (1)	-	-	10,713,003	-	-	-	-
11/7/2003	W/H TAX DIV MSFT	(2,602)	-	* (1)	-	-	10,713,003	-	-	-	-
11/14/2003	W/H TAX DIV PG	(788)	-	* (1)	-	-	10,713,003	-	-	-	-
11/17/2003	W/H TAX DIV TXN	(51)	-	* (1)	-	-	10,713,003	-	-	-	-
11/24/2003	W/H TAX DIV GS	(151)	-	* (1)	-	-	10,713,003	-	-	-	-
11/25/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	* (1)	-	-	10,713,003	-	-	-	-
11/26/2003	W/H TAX DIV C	(2,441)	-	* (1)	-	-	10,713,003	-	-	-	-
11/26/2003	W/H TAX DIV MER	(207)	-	* (1)	-	-	10,713,003	-	-	-	-
12/1/2003	W/H TAX DIV MCD	(677)	-	* (1)	-	-	10,713,003	-	-	-	-

Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
12/1/2003	W/H TAX DIV WFC	(1,034)	-	* (0)	-	-	10,713,003	-	-	-	-
12/1/2003	W/H TAX DIV INTC	(180)	-	* (0)	-	-	10,713,003	-	-	-	-
12/3/2003	CHECK WIRE	600,000	600,000	-	-	-	11,313,003	-	-	-	-
12/4/2003	W/H TAX DIV PFE	(1,572)	-	* (0)	-	-	11,313,003	-	-	-	-
12/5/2003	W/H TAX DIV G	(216)	-	* (0)	-	-	11,313,003	-	-	-	-
12/9/2003	W/H TAX DIV INJ	(958)	-	* (0)	-	-	11,313,003	-	-	-	-
12/9/2003	W/H TAX DIV BUD	(240)	-	* (0)	-	-	11,313,003	-	-	-	-
12/10/2003	W/H TAX DIV UTX	(212)	-	* (0)	-	-	11,313,003	-	-	-	-
12/10/2003	W/H TAX DIV XOM	(2,248)	-	* (0)	-	-	11,313,003	-	-	-	-
12/10/2003	W/H TAX DIV IBM	(368)	-	* (0)	-	-	11,313,003	-	-	-	-
12/12/2003	W/H TAX DIV MMM	(191)	-	* (0)	-	-	11,313,003	-	-	-	-
12/15/2003	W/H TAX DIV DD	(466)	-	* (0)	-	-	11,313,003	-	-	-	-
12/16/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(5)	-	* (0)	-	-	11,313,003	-	-	-	-
12/31/2003	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	* (0)	-	-	11,313,003	-	-	-	-
1/2/2004	W/H TAX DIV ONE	(79)	-	* (0)	-	-	11,313,003	-	-	-	-
1/2/2004	W/H TAX DIV PEP	(80)	-	* (0)	-	-	11,313,003	-	-	-	-
1/5/2004	W/H TAX DIV WMT	(114)	-	* (0)	-	-	11,313,003	-	-	-	-
1/6/2004	W/H TAX DIV DIS	(128)	-	* (0)	-	-	11,313,003	-	-	-	-
1/7/2004	W/H TAX DIV HPQ	(72)	-	* (0)	-	-	11,313,003	-	-	-	-
1/8/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (0)	-	-	11,313,003	-	-	-	-
1/9/2004	W/H TAX DIV MO	(413)	-	* (0)	-	-	11,313,003	-	-	-	-
1/15/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (0)	-	-	11,313,003	-	-	-	-
1/30/2004	W/H TAX DIV MWD	(134)	-	* (0)	-	-	11,313,003	-	-	-	-
2/2/2004	W/H TAX DIV VZ	(534)	-	* (0)	-	-	11,313,003	-	-	-	-
2/2/2004	W/H TAX DIV SBC	(517)	-	* (0)	-	-	11,313,003	-	-	-	-
2/17/2004	W/H TAX DIV PG	(817)	-	* (0)	-	-	11,313,003	-	-	-	-
2/26/2004	W/H TAX DIV GS	(150)	-	* (0)	-	-	11,313,003	-	-	-	-
2/27/2004	W/H TAX DIV MER	(211)	-	* (0)	-	-	11,313,003	-	-	-	-
2/27/2004	W/H TAX DIV C	(2,777)	-	* (0)	-	-	11,313,003	-	-	-	-
3/1/2004	W/H TAX DIV WFC	(1,023)	-	* (0)	-	-	11,313,003	-	-	-	-
3/1/2004	W/H TAX DIV INTC	(348)	-	* (0)	-	-	11,313,003	-	-	-	-
3/5/2004	W/H TAX DIV G	(214)	-	* (0)	-	-	11,313,003	-	-	-	-
3/5/2004	W/H TAX DIV PFE	(1,736)	-	* (0)	-	-	11,313,003	-	-	-	-
3/5/2004	W/H TAX DIV BA	(183)	-	* (0)	-	-	11,313,003	-	-	-	-
3/9/2004	W/H TAX DIV BUD	(237)	-	* (0)	-	-	11,313,003	-	-	-	-
3/9/2004	W/H TAX DIV INJ	(957)	-	* (0)	-	-	11,313,003	-	-	-	-
3/10/2004	W/H TAX DIV UTX	(132)	-	* (0)	-	-	11,313,003	-	-	-	-
3/10/2004	W/H TAX DIV IBM	(364)	-	* (0)	-	-	11,313,003	-	-	-	-
3/10/2004	W/H TAX DIV XOM	(2,224)	-	* (0)	-	-	11,313,003	-	-	-	-
3/12/2004	W/H TAX DIV MMM	(244)	-	* (0)	-	-	11,313,003	-	-	-	-
3/15/2004	W/H TAX DIV DD	(461)	-	* (0)	-	-	11,313,003	-	-	-	-
4/6/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(27)	-	* (0)	-	-	11,313,003	-	-	-	-
4/8/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (0)	-	-	11,313,003	-	-	-	-
4/30/2004	W/H TAX DIV JPM	(221)	-	* (0)	-	-	11,313,003	-	-	-	-
4/30/2004	W/H TAX DIV MWD	(288)	-	* (0)	-	-	11,313,003	-	-	-	-
5/3/2004	W/H TAX DIV VZ	(1,109)	-	* (0)	-	-	11,313,003	-	-	-	-
5/3/2004	W/H TAX DIV SBC	(1,091)	-	* (0)	-	-	11,313,003	-	-	-	-
5/14/2004	W/H TAX DIV PG	(848)	-	* (0)	-	-	11,313,003	-	-	-	-
5/17/2004	W/H TAX DIV TXN	(49)	-	* (0)	-	-	11,313,003	-	-	-	-
5/26/2004	W/H TAX DIV MER	(213)	-	* (0)	-	-	11,313,003	-	-	-	-
5/27/2004	W/H TAX DIV GS	(152)	-	* (0)	-	-	11,313,003	-	-	-	-
5/28/2004	W/H TAX DIV C	(2,763)	-	* (0)	-	-	11,313,003	-	-	-	-
6/1/2004	W/H TAX DIV WFC	(1,036)	-	* (0)	-	-	11,313,003	-	-	-	-
6/1/2004	W/H TAX DIV INTC	(345)	-	* (0)	-	-	11,313,003	-	-	-	-
6/4/2004	W/H TAX DIV PFE	(1,726)	-	* (0)	-	-	11,313,003	-	-	-	-

Exhibit B

BLMIS ACCOUNT NO. 1FR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
6/4/2004	W/H TAX DIV G	(217)	-	* (1)	-	-	11,313,003	-	-	-	-
6/7/2004	W/H TAX DIV WMT	(509)	-	* (1)	-	-	11,313,003	-	-	-	-
6/7/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(19)	-	* (1)	-	-	11,313,003	-	-	-	-
6/8/2004	W/H TAX DIV JNJ	(1132)	-	* (1)	-	-	11,313,003	-	-	-	-
6/9/2004	W/H TAX DIV BUD	(240)	-	-	-	-	11,313,003	-	-	-	-
6/10/2004	W/H TAX DIV XOM	(2,356)	-	* (1)	-	-	11,313,003	-	-	-	-
6/10/2004	W/H TAX DIV IBM	(415)	-	* (1)	-	-	11,313,003	-	-	-	-
6/10/2004	W/H TAX DIV UTX	(173)	-	* (1)	-	-	11,313,003	-	-	-	-
6/11/2004	W/H TAX DIV BA	(148)	-	* (1)	-	-	11,313,003	-	-	-	-
6/14/2004	W/H TAX DIV MMM	(267)	-	* (1)	-	-	11,313,003	-	-	-	-
6/14/2004	W/H TAX DIV DD	(467)	-	* (1)	-	-	11,313,003	-	-	-	-
6/18/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	11,313,003	-	-	-	-
6/23/2004	CHECK WIRE	(1,128,863)	-	(1,128,863)	-	-	10,184,140	-	-	(1,128,863)	(1,128,863)
6/24/2004	W/H TAX DIV HD	(265)	-	* (1)	-	-	10,184,140	-	-	-	-
6/30/2004	W/H TAX DIV PEP	(545)	-	* (1)	-	-	10,184,140	-	-	-	-
7/1/2004	W/H TAX DIV KO	(842)	-	* (1)	-	-	10,184,140	-	-	-	-
7/7/2004	W/H TAX DIV HPQ	(339)	-	-	-	-	10,184,140	-	-	-	-
7/9/2004	W/H TAX DIV MO	(1,922)	-	* (1)	-	-	10,184,140	-	-	-	-
7/26/2004	W/H TAX DIV GE	(312)	-	* (1)	-	-	10,184,140	-	-	-	-
8/5/2004	CHECK WIRE	(100,000)	-	(100,000)	-	-	10,084,140	-	-	(100,000)	(100,000)
8/17/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(33)	-	* (1)	-	-	10,084,140	-	-	-	-
8/18/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	10,084,140	-	-	-	-
8/23/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(673)	-	* (1)	-	-	10,084,140	-	-	-	-
9/7/2004	W/H TAX DIV WMT	(193)	-	* (1)	-	-	10,084,140	-	-	-	-
9/10/2004	W/H TAX DIV UTX	(297)	-	* (1)	-	-	10,084,140	-	-	-	-
9/13/2004	W/H TAX DIV MMM	(1,207)	-	* (1)	-	-	10,084,140	-	-	-	-
9/14/2004	W/H TAX DIV MSFT	(268)	-	* (1)	-	-	10,084,140	-	-	-	-
9/16/2004	W/H TAX DIV HD	(275)	-	* (1)	-	-	10,084,140	-	-	-	-
9/17/2004	W/H TAX DIV AIG	(105,000)	-	(105,000)	-	-	9,979,140	-	-	(105,000)	(105,000)
9/24/2004	CHECK WIRE	(2,614)	-	* (1)	-	-	9,979,140	-	-	-	-
9/24/2004	W/H TAX DIV BAC	(20)	-	* (1)	-	-	9,979,140	-	-	-	-
9/30/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(552)	-	* (1)	-	-	9,979,140	-	-	-	-
9/30/2004	W/H TAX DIV PEP	(1,200)	-	* (1)	-	-	9,979,140	-	-	-	-
10/1/2004	W/H TAX DIV MRK	(148)	-	* (1)	-	-	9,979,140	-	-	-	-
10/1/2004	W/H TAX DIV VIA.B	(853)	-	* (1)	-	-	9,979,140	-	-	-	-
10/1/2004	W/H TAX DIV KO	(344)	-	* (1)	-	-	9,979,140	-	-	-	-
10/6/2004	W/H TAX DIV HPQ	(2,121)	-	* (1)	-	-	9,979,140	-	-	-	-
10/12/2004	W/H TAX DIV MO	(4)	-	* (1)	-	-	9,979,140	-	-	-	-
11/3/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	9,979,140	-	-	-	-
11/4/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	9,979,140	-	-	-	-
11/9/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(107)	-	* (1)	-	-	9,979,140	-	-	-	-
11/24/2004	W/H TAX DIV MER	(555)	-	* (1)	-	-	9,979,140	-	-	-	-
12/1/2004	W/H TAX DIV WFC	(176)	-	* (1)	-	-	9,979,140	-	-	-	-
12/1/2004	W/H TAX DIV INTC	1,980,000	1,980,000	-	-	-	11,959,140	-	-	-	-
12/2/2004	CHECK WIRE	(1,421)	-	* (1)	-	-	11,959,140	-	-	-	-
12/3/2004	W/H TAX DIV PFE	(178)	-	* (1)	-	-	11,959,140	-	-	-	-
12/3/2004	W/H TAX DIV BA	(268,272)	-	(268,272)	-	-	11,690,868	-	-	(268,272)	(268,272)
12/7/2004	CHECK WIRE	(359)	-	* (1)	-	-	11,690,868	-	-	-	-
12/7/2004	W/H TAX DIV JNJ	(339)	-	* (1)	-	-	11,690,868	-	-	-	-
12/10/2004	W/H TAX DIV IBM	(1,951)	-	* (1)	-	-	11,690,868	-	-	-	-
12/10/2004	W/H TAX DIV XOM	(38)	-	* (1)	-	-	11,690,868	-	-	-	-
12/13/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(381)	-	* (1)	-	-	11,690,868	-	-	-	-
12/14/2004	W/H TAX DIV DD	(0)	-	* (1)	-	-	11,690,868	-	-	-	-
12/16/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(15)	-	* (1)	-	-	11,690,868	-	-	-	-
12/31/2004	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX		-		-	-		-	-	-	-

Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
1/3/2005	W/H TAX DIV WMT	(206)	-	* (1)	-	-	11,690,868	-	-	-	-
2/14/2005	W/H TAX DIV TXN	(63)	-	* (1)	-	-	11,690,868	-	-	-	-
2/24/2005	W/H TAX DIV GS	(26)	-	* (1)	-	-	11,690,868	-	-	-	-
2/28/2005	W/H TAX DIV C	(3,311)	-	* (1)	-	-	11,690,868	-	-	-	-
2/28/2005	W/H TAX DIV MER	(211)	-	* (1)	-	-	11,690,868	-	-	-	-
3/1/2005	W/H TAX DIV WFC	(1,204)	-	* (1)	-	-	11,690,868	-	-	-	-
3/1/2005	W/H TAX DIV INTC	(737)	-	* (1)	-	-	11,690,868	-	-	-	-
3/4/2005	W/H TAX DIV BA	(297)	-	* (1)	-	-	11,690,868	-	-	-	-
3/4/2005	W/H TAX DIV G	(236)	-	* (1)	-	-	11,690,868	-	-	-	-
3/7/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(66)	-	* (1)	-	-	11,690,868	-	-	-	-
3/8/2005	W/H TAX DIV PFE	(2,082)	-	* (1)	-	-	11,690,868	-	-	-	-
3/8/2005	W/H TAX DIV JNJ	(1,232)	-	* (1)	-	-	11,690,868	-	-	-	-
3/9/2005	W/H TAX DIV BUD	(291)	-	* (1)	-	-	11,690,868	-	-	-	-
3/10/2005	CHECK WIRE	840,000	840,000	-	-	-	12,530,868	-	-	-	-
3/10/2005	W/H TAX DIV IBM	(428)	-	* (1)	-	-	12,530,868	-	-	-	-
3/10/2005	W/H TAX DIV MSFT	(1,262)	-	* (1)	-	-	12,530,868	-	-	-	-
3/10/2005	W/H TAX DIV XOM	(2,530)	-	* (1)	-	-	12,530,868	-	-	-	-
3/10/2005	W/H TAX DIV UTX	(348)	-	* (1)	-	-	12,530,868	-	-	-	-
3/14/2005	W/H TAX DIV MMM	(499)	-	* (1)	-	-	12,530,868	-	-	-	-
3/14/2005	W/H TAX DIV DD	(508)	-	* (1)	-	-	12,530,868	-	-	-	-
3/18/2005	W/H TAX DIV AIG	(479)	-	* (1)	-	-	12,530,868	-	-	-	-
3/24/2005	W/H TAX DIV HD	(317)	-	* (1)	-	-	12,530,868	-	-	-	-
3/28/2005	W/H TAX DIV BAC	(2,643)	-	* (1)	-	-	12,530,868	-	-	-	-
3/31/2005	W/H TAX DIV PEP	(577)	-	* (1)	-	-	12,530,868	-	-	-	-
4/1/2005	W/H TAX DIV KO	(778)	-	* (1)	-	-	12,530,868	-	-	-	-
4/1/2005	W/H TAX DIV VIA,B	(176)	-	* (1)	-	-	12,530,868	-	-	-	-
4/1/2005	W/H TAX DIV MRK	(1,204)	-	* (1)	-	-	12,530,868	-	-	-	-
4/7/2005	W/H TAX DIV HPQ	(174)	-	* (1)	-	-	12,530,868	-	-	-	-
4/1/2005	W/H TAX DIV MO	(1,729)	-	* (1)	-	-	12,530,868	-	-	-	-
4/13/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(75)	-	* (1)	-	-	12,530,868	-	-	-	-
4/25/2005	W/H TAX DIV GE	(3,376)	-	* (1)	-	-	12,530,868	-	-	-	-
5/23/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(37)	-	* (1)	-	-	12,530,868	-	-	-	-
6/3/2005	CHECK WIRE	(11,730)	-	(11,730)	-	-	12,519,138	-	-	(11,730)	(11,730)
6/6/2005	W/H TAX DIV WMT	(226)	-	* (1)	-	-	12,519,138	-	-	-	-
6/9/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(28)	-	* (1)	-	-	12,519,138	-	-	-	-
6/10/2005	W/H TAX DIV UTX	(108)	-	* (1)	-	-	12,519,138	-	-	-	-
6/13/2005	W/H TAX DIV MMM	(154)	-	* (1)	-	-	12,519,138	-	-	-	-
6/16/2005	CHECK WIRE	(11,024)	-	(11,024)	-	-	12,508,114	-	-	(11,024)	(11,024)
6/17/2005	W/H TAX DIV AIG	(375)	-	* (1)	-	-	12,508,114	-	-	-	-
6/20/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(5)	-	* (1)	-	-	12,508,114	-	-	-	-
6/23/2005	W/H TAX DIV HD	(251)	-	* (1)	-	-	12,508,114	-	-	-	-
6/24/2005	W/H TAX DIV BAC	(2,096)	-	* (1)	-	-	12,508,114	-	-	-	-
6/30/2005	W/H TAX DIV PEP	(511)	-	* (1)	-	-	12,508,114	-	-	-	-
7/1/2005	W/H TAX DIV ALL	(254)	-	* (1)	-	-	12,508,114	-	-	-	-
7/1/2005	W/H TAX DIV KO	(725)	-	* (1)	-	-	12,508,114	-	-	-	-
7/1/2005	W/H TAX DIV MRK	(944)	-	* (1)	-	-	12,508,114	-	-	-	-
7/1/2005	W/H TAX DIV VIA,B	(138)	-	* (1)	-	-	12,508,114	-	-	-	-
7/6/2005	W/H TAX DIV HPQ	(271)	-	* (1)	-	-	12,508,114	-	-	-	-
7/8/2005	W/H TAX DIV SLB	(152)	-	* (1)	-	-	12,508,114	-	-	-	-
7/11/2005	W/H TAX DIV MO	(1,738)	-	* (1)	-	-	12,508,114	-	-	-	-
7/25/2005	W/H TAX DIV GE	(2,680)	-	* (1)	-	-	12,508,114	-	-	-	-
8/18/2005	CHECK WIRE	(320,717)	-	(320,717)	-	-	12,187,397	-	-	(320,717)	(320,717)
8/23/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(113)	-	* (1)	-	-	12,187,397	-	-	-	-
9/8/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	12,187,397	-	-	-	-
9/9/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	12,187,397	-	-	-	-

Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
9/12/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	12,187,397	-	-	-	-
9/15/2005	CHECK WIRE	(20,000)	-	(20,000)	-	-	12,167,397	-	-	(20,000)	(20,000)
9/30/2005	W/H TAX DIV PEP	(53)	-	* (1)	-	-	12,167,397	-	-	-	-
9/30/2005	W/H TAX DIV S	(59)	-	* (1)	-	-	12,167,397	-	-	-	-
10/3/2005	W/H TAX DIV KO	(993)	-	* (1)	-	-	12,167,397	-	-	-	-
10/5/2005	W/H TAX DIV HPQ	(360)	-	* (1)	-	-	12,167,397	-	-	-	-
10/11/2005	W/H TAX DIV MO	(2,561)	-	* (1)	-	-	12,167,397	-	-	-	-
10/12/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(68)	-	* (1)	-	-	12,167,397	-	-	-	-
10/13/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	12,167,397	-	-	-	-
10/14/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	12,167,397	-	-	-	-
10/19/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	12,167,397	-	-	-	-
10/25/2005	W/H TAX DIV GE	(2,664)	-	* (1)	-	-	12,167,397	-	-	-	-
10/31/2005	W/H TAX DIV MWD	(314)	-	* (1)	-	-	12,167,397	-	-	-	-
11/15/2005	W/H TAX DIV ABT	(480)	-	* (1)	-	-	12,167,397	-	-	-	-
11/15/2005	W/H TAX DIV PG	(1,586)	-	* (1)	-	-	12,167,397	-	-	-	-
11/17/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(32)	-	* (1)	-	-	12,167,397	-	-	-	-
11/21/2005	CHECK WIRE	(3,398,446)	-	(3,398,446)	-	-	8,768,951	-	-	(3,398,446)	(3,398,446)
11/21/2005	W/H TAX DIV GS	(182)	-	* (1)	-	-	8,768,951	-	-	-	-
11/21/2005	W/H TAX DIV TXN	(81)	-	* (1)	-	-	8,768,951	-	-	-	-
11/23/2005	W/H TAX DIV C	(3,706)	-	* (1)	-	-	8,768,951	-	-	-	-
11/23/2005	W/H TAX DIV MER	(290)	-	* (1)	-	-	8,768,951	-	-	-	-
11/25/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	8,768,951	-	-	-	-
11/30/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	8,768,951	-	-	-	-
12/1/2005	W/H TAX DIV INTC	(794)	-	* (1)	-	-	8,768,951	-	-	-	-
12/1/2005	W/H TAX DIV WFC	(1,435)	-	* (1)	-	-	8,768,951	-	-	-	-
12/2/2005	W/H TAX DIV BA	(327)	-	* (1)	-	-	8,768,951	-	-	-	-
12/6/2005	W/H TAX DIV PFE	(2,308)	-	* (1)	-	-	8,768,951	-	-	-	-
12/8/2005	W/H TAX DIV MSFT	(1,204)	-	* (1)	-	-	8,768,951	-	-	-	-
12/9/2005	W/H TAX DIV XOM	(3,000)	-	* (1)	-	-	8,768,951	-	-	-	-
12/12/2005	W/H TAX DIV CVX	(1,679)	-	* (1)	-	-	8,768,951	-	-	-	-
12/12/2005	W/H TAX DIV MMM	(467)	-	* (1)	-	-	8,768,951	-	-	-	-
12/12/2005	W/H TAX DIV UTX	(373)	-	* (1)	-	-	8,768,951	-	-	-	-
12/12/2005	W/H TAX DIV IBM	(523)	-	* (1)	-	-	8,768,951	-	-	-	-
12/13/2005	W/H TAX DIV JNJ	(1,624)	-	* (1)	-	-	8,768,951	-	-	-	-
12/15/2005	W/H TAX DIV TWX	(325)	-	* (1)	-	-	8,768,951	-	-	-	-
12/15/2005	W/H TAX DIV KO	(799)	-	* (1)	-	-	8,768,951	-	-	-	-
12/15/2005	W/H TAX DIV HD	(296)	-	* (1)	-	-	8,768,951	-	-	-	-
12/16/2005	W/H TAX DIV AIG	(537)	-	* (1)	-	-	8,768,951	-	-	-	-
12/16/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	* (1)	-	-	8,768,951	-	-	-	-
12/20/2005	CHECK WIRE	(3,714,523)	-	(3,714,523)	-	-	5,054,428	-	-	(3,714,523)	(3,714,523)
12/22/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(10)	-	* (1)	-	-	5,054,428	-	-	-	-
12/23/2005	W/H TAX DIV BAC	(2,777)	-	* (1)	-	-	5,054,428	-	-	-	-
12/30/2005	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(10)	-	* (1)	-	-	5,054,428	-	-	-	-
12/30/2005	W/H TAX DIV S	(102)	-	* (1)	-	-	5,054,428	-	-	-	-
1/3/2006	W/H TAX DIV VIA.B	(156)	-	* (1)	-	-	5,054,428	-	-	-	-
1/3/2006	W/H TAX DIV MRK	(1,172)	-	* (1)	-	-	5,054,428	-	-	-	-
1/3/2006	W/H TAX DIV PEP	(610)	-	* (1)	-	-	5,054,428	-	-	-	-
1/3/2006	W/H TAX DIV WMT	(342)	-	* (1)	-	-	5,054,428	-	-	-	-
1/4/2006	W/H TAX DIV HPQ	(320)	-	* (1)	-	-	5,054,428	-	-	-	-
1/6/2006	W/H TAX DIV DIS	(767)	-	* (1)	-	-	5,054,428	-	-	-	-
1/13/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(17)	-	* (1)	-	-	5,054,428	-	-	-	-
1/13/2006	W/H TAX DIV MS	(343)	-	* (1)	-	-	5,054,428	-	-	-	-
1/31/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(31)	-	* (1)	-	-	5,054,428	-	-	-	-
2/1/2006	W/H TAX DIV T	(356)	-	* (1)	-	-	5,054,428	-	-	-	-
2/1/2006	W/H TAX DIV VZ	(310)	-	* (1)	-	-	5,054,428	-	-	-	-

Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
2/13/2006	W/H TAX DIV TXN	(56)	-	* (1)	-	-	5,054,428	-	-	-	-
2/15/2006	W/H TAX DIV ABT	(495)	-	* (1)	-	-	5,054,428	-	-	-	-
2/15/2006	W/H TAX DIV PG	(1,097)	-	* (1)	-	-	5,054,428	-	-	-	-
2/23/2006	W/H TAX DIV GS	(132)	-	* (1)	-	-	5,054,428	-	-	-	-
2/24/2006	W/H TAX DIV C	(2,875)	-	* (1)	-	-	5,054,428	-	-	-	-
2/28/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(34)	-	* (1)	-	-	5,054,428	-	-	-	-
2/28/2006	W/H TAX DIV MER	(265)	-	* (1)	-	-	5,054,428	-	-	-	-
3/1/2006	W/H TAX DIV WFC	(991)	-	* (1)	-	-	5,054,428	-	-	-	-
3/1/2006	W/H TAX DIV INTC	(697)	-	* (1)	-	-	5,054,428	-	-	-	-
3/3/2006	W/H TAX DIV BA	(286)	-	* (1)	-	-	5,054,428	-	-	-	-
3/7/2006	W/H TAX DIV UPS	(483)	-	* (1)	-	-	5,054,428	-	-	-	-
3/7/2006	W/H TAX DIV PFE	(2,053)	-	* (1)	-	-	5,054,428	-	-	-	-
3/9/2006	W/H TAX DIV MSFT	(960)	-	* (1)	-	-	5,054,428	-	-	-	-
3/10/2006	W/H TAX DIV IBM	(364)	-	* (1)	-	-	5,054,428	-	-	-	-
3/10/2006	W/H TAX DIV TGT	(106)	-	* (1)	-	-	5,054,428	-	-	-	-
3/10/2006	W/H TAX DIV XOM	(2,299)	-	* (1)	-	-	5,054,428	-	-	-	-
3/10/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	* (1)	-	-	5,054,428	-	-	-	-
3/10/2006	W/H TAX DIV CVX	(1,174)	-	* (1)	-	-	5,054,428	-	-	-	-
3/10/2006	W/H TAX DIV UTX	(256)	-	* (1)	-	-	5,054,428	-	-	-	-
3/13/2006	W/H TAX DIV MMM	(390)	-	* (1)	-	-	5,054,428	-	-	-	-
3/14/2006	W/H TAX DIV INJ	(1,153)	-	* (1)	-	-	5,054,428	-	-	-	-
3/15/2006	CHECK WIRE	(1,000,000)	-	(1,000,000)	-	-	4,054,428	-	-	(1,000,000)	(1,000,000)
3/15/2006	W/H TAX DIV TWX	(271)	-	* (1)	-	-	4,054,428	-	-	-	-
3/16/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	4,054,428	-	-	-	-
3/17/2006	W/H TAX DIV AIG	(448)	-	* (1)	-	-	4,054,428	-	-	-	-
3/23/2006	W/H TAX DIV HD	(365)	-	* (1)	-	-	4,054,428	-	-	-	-
3/24/2006	W/H TAX DIV BAC	(2,700)	-	* (1)	-	-	4,054,428	-	-	-	-
3/30/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(15)	-	* (1)	-	-	4,054,428	-	-	-	-
3/31/2006	W/H TAX DIV S	(87)	-	* (1)	-	-	4,054,428	-	-	-	-
3/31/2006	W/H TAX DIV PEP	(502)	-	* (1)	-	-	4,054,428	-	-	-	-
3/31/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	4,054,428	-	-	-	-
4/3/2006	W/H TAX DIV WMT	(499)	-	* (1)	-	-	4,054,428	-	-	-	-
4/3/2006	W/H TAX DIV MRK	(977)	-	* (1)	-	-	4,054,428	-	-	-	-
4/3/2006	W/H TAX DIV KO	(752)	-	* (1)	-	-	4,054,428	-	-	-	-
4/5/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	4,054,428	-	-	-	-
4/5/2006	W/H TAX DIV HPQ	(269)	-	* (1)	-	-	4,054,428	-	-	-	-
4/7/2006	W/H TAX DIV SLB	(164)	-	(164)	-	-	4,054,264	-	-	-	-
4/7/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	4,054,264	-	-	-	-
4/10/2006	W/H TAX DIV MO	(1,972)	-	* (1)	-	-	4,054,264	-	-	-	-
4/21/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	* (1)	-	-	4,054,264	-	-	-	-
4/25/2006	W/H TAX DIV GE	(3,067)	-	* (1)	-	-	4,054,264	-	-	-	-
4/28/2006	CXL W/H TAX DIV SLB	164	-	164	-	-	4,054,428	-	-	-	-
4/28/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(12)	-	* (1)	-	-	4,054,428	-	-	-	-
4/28/2006	W/H TAX DIV MS	(329)	-	* (1)	-	-	4,054,428	-	-	-	-
4/28/2006	W/H TAX DIV MDT	(130)	-	* (1)	-	-	4,054,428	-	-	-	-
5/1/2006	W/H TAX DIV VZ	(1,450)	-	* (1)	-	-	4,054,428	-	-	-	-
5/1/2006	W/H TAX DIV JPM	(979)	-	* (1)	-	-	4,054,428	-	-	-	-
5/5/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(8)	-	* (1)	-	-	4,054,428	-	-	-	-
5/10/2006	W/H TAX DIV AXP	(170)	-	* (1)	-	-	4,054,428	-	-	-	-
5/10/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	4,054,428	-	-	-	-
5/15/2006	W/H TAX DIV PG	(1,163)	-	* (1)	-	-	4,054,428	-	-	-	-
5/15/2006	W/H TAX DIV ABT	(509)	-	* (1)	-	-	4,054,428	-	-	-	-
5/22/2006	W/H TAX DIV CAT	(194)	-	* (1)	-	-	4,054,428	-	-	-	-
5/22/2006	W/H TAX DIV TXN	(55)	-	* (1)	-	-	4,054,428	-	-	-	-



Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
5/24/2006	W/H TAX DIV MER	(257)	-	* (1)	-	-	4,054,428	-	-	-	-
5/25/2006	W/H TAX DIV GS	(177)	-	* (1)	-	-	4,054,428	-	-	-	-
5/26/2006	W/H TAX DIV C	(2,782)	-	* (1)	-	-	4,054,428	-	-	-	-
5/31/2006	W/H TAX DIV UPS	(469)	-	* (1)	-	-	4,054,428	-	-	-	-
5/31/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(41)	-	-	-	-	4,054,428	-	-	-	-
6/1/2006	W/H TAX DIV INTC	(669)	-	* (1)	-	-	4,054,428	-	-	-	-
6/1/2006	W/H TAX DIV WFC	(1,017)	-	* (1)	-	-	4,054,428	-	-	-	-
6/2/2006	W/H TAX DIV BA	(278)	-	* (1)	-	-	4,054,428	-	-	-	-
6/5/2006	W/H TAX DIV WMT	(483)	-	* (1)	-	-	4,054,428	-	-	-	-
6/6/2006	W/H TAX DIV PFE	(2,025)	-	* (1)	-	-	4,054,428	-	-	-	-
6/6/2006	W/H TAX DIV BMY	(625)	-	* (1)	-	-	4,054,428	-	-	-	-
6/8/2006	W/H TAX DIV MSFT	(917)	-	* (1)	-	-	4,054,428	-	-	-	-
6/9/2006	W/H TAX DIV XOM	(2,248)	-	* (1)	-	-	4,054,428	-	-	-	-
6/12/2006	W/H TAX DIV IBM	(537)	-	* (1)	-	-	4,054,428	-	-	-	-
6/12/2006	W/H TAX DIV MMM	(379)	-	* (1)	-	-	4,054,428	-	-	-	-
6/12/2006	W/H TAX DIV UTX	(150)	-	* (1)	-	-	4,054,428	-	-	-	-
6/13/2006	W/H TAX DIV INJ	(1,273)	-	* (1)	-	-	4,054,428	-	-	-	-
6/15/2006	W/H TAX DIV TWX	(257)	-	* (1)	-	-	4,054,428	-	-	-	-
6/15/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(24)	-	-	-	-	4,054,428	-	-	-	-
6/22/2006	W/H TAX DIV HD	(370)	-	* (1)	-	-	4,054,428	-	-	-	-
6/23/2006	W/H TAX DIV BAC	(2,675)	-	* (1)	-	-	4,054,428	-	-	-	-
6/30/2006	W/H TAX DIV S	(85)	-	* (1)	-	-	4,054,428	-	-	-	-
6/30/2006	W/H TAX DIV PEP	(556)	-	* (1)	-	-	4,054,428	-	-	-	-
6/30/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(50)	-	* (1)	-	-	4,054,428	-	-	-	-
7/3/2006	W/H TAX DIV KO	(506)	-	-	-	-	4,054,428	-	-	-	-
7/3/2006	W/H TAX DIV CVX	(1,338)	-	* (1)	-	-	4,054,428	-	-	-	-
7/3/2006	W/H TAX DIV AIG	(448)	-	* (1)	-	-	4,054,428	-	-	-	-
7/3/2006	W/H TAX DIV MRK	(938)	-	* (1)	-	-	4,054,428	-	-	-	-
7/5/2006	W/H TAX DIV HPQ	(261)	-	* (1)	-	-	4,054,428	-	-	-	-
7/7/2006	W/H TAX DIV SLB	(180)	-	(180)	-	-	4,054,248	-	-	-	-
7/10/2006	W/H TAX DIV MO	(1,307)	-	* (1)	-	-	4,054,248	-	-	-	-
7/14/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(25)	-	* (1)	-	-	4,054,248	-	-	-	-
7/21/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	* (1)	-	-	4,054,248	-	-	-	-
7/31/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(33)	-	* (1)	-	-	4,054,248	-	-	-	-
7/31/2006	W/H TAX DIV MS	(138)	-	* (1)	-	-	4,054,248	-	-	-	-
8/7/2006	CXL W/H TAX DIV SLB	180	-	180	-	-	4,054,428	-	-	-	-
8/9/2006	CHECK WIRE	(400,000)	-	(400,000)	-	-	4,054,428	-	-	(400,000)	(400,000)
8/15/2006	W/H TAX DIV PG	(864)	-	* (1)	-	-	3,654,428	-	-	-	-
8/15/2006	W/H TAX DIV ABT	(214)	-	* (1)	-	-	3,654,428	-	-	-	-
8/17/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(30)	-	* (1)	-	-	3,654,428	-	-	-	-
8/21/2006	W/H TAX DIV CAT	(89)	-	* (1)	-	-	3,654,428	-	-	-	-
8/21/2006	W/H TAX DIV TXN	(39)	-	* (1)	-	-	3,654,428	-	-	-	-
8/23/2006	W/H TAX DIV MER	(188)	-	* (1)	-	-	3,654,428	-	-	-	-
8/24/2006	W/H TAX DIV GS	(132)	-	* (1)	-	-	3,654,428	-	-	-	-
8/25/2006	W/H TAX DIV C	(2,050)	-	* (1)	-	-	3,654,428	-	-	-	-
9/1/2006	W/H TAX DIV INTC	(493)	-	* (1)	-	-	3,654,428	-	-	-	-
9/1/2006	W/H TAX DIV WFC	(801)	-	* (1)	-	-	3,654,428	-	-	-	-
9/1/2006	W/H TAX DIV BA	(203)	-	* (1)	-	-	3,654,428	-	-	-	-
9/1/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	* (1)	-	-	3,654,428	-	-	-	-
9/5/2006	W/H TAX DIV PFE	(1,484)	-	* (1)	-	-	3,654,428	-	-	-	-
9/5/2006	W/H TAX DIV WMT	(533)	-	* (1)	-	-	3,654,428	-	-	-	-
9/6/2006	W/H TAX DIV UPS	(343)	-	* (1)	-	-	3,654,428	-	-	-	-
9/11/2006	W/H TAX DIV CVX	(979)	-	* (1)	-	-	3,654,428	-	-	-	-
9/11/2006	W/H TAX DIV IBM	(384)	-	* (1)	-	-	3,654,428	-	-	-	-
9/11/2006	W/H TAX DIV UTX	(220)	-	* (1)	-	-	3,654,428	-	-	-	-

Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
9/11/2006	W/H TAX DIV XOM	(1,625)	-	* (1)	-	-	3,654,428	-	-	-	-
9/12/2006	W/H TAX DIV JNJ	(932)	-	* (1)	-	-	3,654,428	-	-	-	-
9/12/2006	W/H TAX DIV MMM	(277)	-	* (1)	-	-	3,654,428	-	-	-	-
9/14/2006	W/H TAX DIV MSFT	(668)	-	* (1)	-	-	3,654,428	-	-	-	-
9/15/2006	W/H TAX DIV TWX	(201)	-	* (1)	-	-	3,654,428	-	-	-	-
9/15/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(22)	-	* (1)	-	-	3,654,428	-	-	-	-
9/15/2006	W/H TAX DIV AIG	(360)	-	* (1)	-	-	3,654,428	-	-	-	-
9/21/2006	W/H TAX DIV HD	(260)	-	* (1)	-	-	3,654,428	-	-	-	-
9/22/2006	W/H TAX DIV BAC	(2,151)	-	* (1)	-	-	3,654,428	-	-	-	-
9/27/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(24)	-	* (1)	-	-	3,654,428	-	-	-	-
9/29/2006	W/H TAX DIV PEP	(416)	-	* (1)	-	-	3,654,428	-	-	-	-
9/29/2006	W/H TAX DIV S	(63)	-	* (1)	-	-	3,654,428	-	-	-	-
10/2/2006	W/H TAX DIV KO	(537)	-	* (1)	-	-	3,654,428	-	-	-	-
10/2/2006	W/H TAX DIV MRK	(687)	-	* (1)	-	-	3,654,428	-	-	-	-
10/4/2006	W/H TAX DIV HPQ	(187)	-	* (1)	-	-	3,654,428	-	-	-	-
10/10/2006	W/H TAX DIV MO	(1,518)	-	* (1)	-	-	3,654,428	-	-	-	-
10/17/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(18)	-	* (1)	-	-	3,654,428	-	-	-	-
10/25/2006	W/H TAX DIV GE	(2,194)	-	* (1)	-	-	3,654,428	-	-	-	-
10/26/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(8)	-	* (1)	-	-	3,654,428	-	-	-	-
10/27/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	3,654,428	-	-	-	-
10/30/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	* (1)	-	-	3,654,428	-	-	-	-
10/31/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	3,654,428	-	-	-	-
11/20/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(10)	-	* (1)	-	-	3,654,428	-	-	-	-
11/20/2006	W/H TAX DIV TXN	(67)	-	* (1)	-	-	3,654,428	-	-	-	-
11/22/2006	W/H TAX DIV C	(2,555)	-	* (1)	-	-	3,654,428	-	-	-	-
11/22/2006	W/H TAX DIV MER	(246)	-	* (1)	-	-	3,654,428	-	-	-	-
11/27/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	3,654,428	-	-	-	-
11/30/2006	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	3,654,428	-	-	-	-
1/2/2007	W/H TAX DIV PEP	(539)	-	* (1)	-	-	3,654,428	-	-	-	-
1/2/2007	W/H TAX DIV MRK	(885)	-	* (1)	-	-	3,654,428	-	-	-	-
1/2/2007	W/H TAX DIV WMT	(446)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV WB	(1,174)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV BAC	(2,740)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV MCD	(1,279)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV INTC	(613)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV BA	(266)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV TWX	(242)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV IBM	(481)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV PFE	(1,874)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV AIG	(462)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV EXC	(276)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV UTX	(287)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV HD	(495)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV MMM	(362)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV JNJ	(1,181)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV S	(80)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(50)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV TGT	(106)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV KO	(681)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV MSFT	(918)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV WFC	(1,000)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV XOM	(2,025)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV CVX	(1,228)	-	* (1)	-	-	3,654,428	-	-	-	-
1/3/2007	W/H TAX DIV HPQ	(237)	-	* (1)	-	-	3,654,428	-	-	-	-

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
1/4/2007	W/H TAX DIV UPS	(449)	-	* (1)	-	-	3,654,428	-	-	-	-
1/10/2007	W/H TAX DIV MO	(531)	-	* (1)	-	-	3,654,428	-	-	-	-
1/12/2007	W/H TAX DIV DIS	(702)	-	* (1)	-	-	3,654,428	-	-	-	-
1/25/2007	W/H TAX DIV GE	(1,806)	-	* (1)	-	-	3,654,428	-	-	-	-
1/29/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(8)	-	* (1)	-	-	3,654,428	-	-	-	-
1/31/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	3,654,428	-	-	-	-
2/6/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	3,654,428	-	-	-	-
2/13/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(13)	-	* (1)	-	-	3,654,428	-	-	-	-
2/16/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	3,654,428	-	-	-	-
2/20/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	3,654,428	-	-	-	-
2/22/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	3,654,428	-	-	-	-
2/23/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	3,654,428	-	-	-	-
2/28/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	3,654,428	-	-	-	-
3/1/2007	W/H TAX DIV COP	(91)	-	* (1)	-	-	3,654,428	-	-	-	-
3/6/2007	W/H TAX DIV UPS	(259)	-	* (1)	-	-	3,654,428	-	-	-	-
3/9/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	* (1)	-	-	3,654,428	-	-	-	-
3/12/2007	W/H TAX DIV MMM	(321)	-	* (1)	-	-	3,654,428	-	-	-	-
3/12/2007	W/H TAX DIV UTX	(89)	-	* (1)	-	-	3,654,428	-	-	-	-
3/12/2007	W/H TAX DIV TGT	(61)	-	* (1)	-	-	3,654,428	-	-	-	-
3/12/2007	W/H TAX DIV CVX	(366)	-	* (1)	-	-	3,654,428	-	-	-	-
3/13/2007	W/H TAX DIV INJ	(973)	-	* (1)	-	-	3,654,428	-	-	-	-
3/15/2007	W/H TAX DIV TWX	(193)	-	* (1)	-	-	3,654,428	-	-	-	-
3/15/2007	W/H TAX DIV WB	(937)	-	* (1)	-	-	3,654,428	-	-	-	-
3/16/2007	W/H TAX DIV AIG	(373)	-	* (1)	-	-	3,654,428	-	-	-	-
3/20/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	* (1)	-	-	3,654,428	-	-	-	-
3/22/2007	W/H TAX DIV HD	(414)	-	* (1)	-	-	3,654,428	-	-	-	-
3/23/2007	W/H TAX DIV BAC	(2,203)	-	* (1)	-	-	3,654,428	-	-	-	-
3/28/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(16)	-	* (1)	-	-	3,654,428	-	-	-	-
3/30/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	3,654,428	-	-	-	-
3/30/2007	W/H TAX DIV S	(74)	-	* (1)	-	-	3,654,428	-	-	-	-
3/30/2007	W/H TAX DIV PEP	(506)	-	* (1)	-	-	3,654,428	-	-	-	-
4/2/2007	W/H TAX DIV WMT	(562)	-	* (1)	-	-	3,654,428	-	-	-	-
4/2/2007	W/H TAX DIV KO	(727)	-	* (1)	-	-	3,654,428	-	-	-	-
4/2/2007	W/H TAX DIV MRK	(868)	-	* (1)	-	-	3,654,428	-	-	-	-
4/4/2007	W/H TAX DIV HPQ	(230)	-	* (1)	-	-	3,654,428	-	-	-	-
4/10/2007	W/H TAX DIV MO	(1,879)	-	* (1)	-	-	3,654,428	-	-	-	-
4/19/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(31)	-	* (1)	-	-	3,654,428	-	-	-	-
4/20/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	3,654,428	-	-	-	-
4/25/2007	W/H TAX DIV GE	(2,555)	-	* (1)	-	-	3,654,428	-	-	-	-
4/30/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(10)	-	* (1)	-	-	3,654,428	-	-	-	-
5/4/2007	W/H TAX DIV CVS	(67)	-	* (1)	-	-	3,654,428	-	-	-	-
5/15/2007	W/H TAX DIV PG	(1,185)	-	* (1)	-	-	3,654,428	-	-	-	-
5/21/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(16)	-	* (1)	-	-	3,654,428	-	-	-	-
5/23/2007	W/H TAX DIV MER	(314)	-	* (1)	-	-	3,654,428	-	-	-	-
5/24/2007	W/H TAX DIV GS	(92)	-	* (1)	-	-	3,654,428	-	-	-	-
5/25/2007	W/H TAX DIV C	(2,797)	-	* (1)	-	-	3,654,428	-	-	-	-
5/31/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	3,654,428	-	-	-	-
6/1/2007	W/H TAX DIV BA	(290)	-	* (1)	-	-	3,654,428	-	-	-	-
6/1/2007	W/H TAX DIV COP	(721)	-	* (1)	-	-	3,654,428	-	-	-	-
6/1/2007	W/H TAX DIV INTC	(695)	-	* (1)	-	-	3,654,428	-	-	-	-
6/1/2007	W/H TAX DIV WFC	(1,004)	-	* (1)	-	-	3,654,428	-	-	-	-
6/4/2007	W/H TAX DIV WMT	(570)	-	* (1)	-	-	3,654,428	-	-	-	-
6/5/2007	W/H TAX DIV PPE	(2,195)	-	* (1)	-	-	3,654,428	-	-	-	-
6/6/2007	W/H TAX DIV TYC	(212)	-	(212)	-	-	3,654,216	-	-	-	-

Exhibit B

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
6/11/2007	W/H TAX DIV CVX	(1,329)	-	* (1)	-	-	3,654,216	-	-	-	-
6/11/2007	W/H TAX DIV UTX	(290)	-	* (1)	-	-	3,654,216	-	-	-	-
6/11/2007	W/H TAX DIV XOM	(2,114)	-	* (1)	-	-	3,654,216	-	-	-	-
6/11/2007	W/H TAX DIV IBM	(637)	-	* (1)	-	-	3,654,216	-	-	-	-
6/12/2007	W/H TAX DIV JN	(1,269)	-	* (1)	-	-	3,654,216	-	-	-	-
6/12/2007	W/H TAX DIV MMM	(382)	-	* (1)	-	-	3,654,216	-	-	-	-
6/14/2007	W/H TAX DIV MSFT	(923)	-	* (1)	-	-	3,654,216	-	-	-	-
6/15/2007	W/H TAX DIV AIG	(460)	-	* (1)	-	-	3,654,216	-	-	-	-
6/15/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(9)	-	* (1)	-	-	3,654,216	-	-	-	-
6/15/2007	W/H TAX DIV TWX	(226)	-	* (1)	-	-	3,654,216	-	-	-	-
6/15/2007	W/H TAX DIV WB	(1,116)	-	* (1)	-	-	3,654,216	-	-	-	-
6/21/2007	W/H TAX DIV HD	(493)	-	* (1)	-	-	3,654,216	-	-	-	-
6/22/2007	W/H TAX DIV BAC	(2,677)	-	* (1)	-	-	3,654,216	-	-	-	-
6/29/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	* (1)	-	-	3,654,216	-	-	-	-
6/29/2007	W/H TAX DIV S	(77)	-	* (1)	-	-	3,654,216	-	-	-	-
6/29/2007	W/H TAX DIV PEP	(659)	-	* (1)	-	-	3,654,216	-	-	-	-
7/2/2007	W/H TAX DIV KO	(723)	-	* (1)	-	-	3,654,216	-	-	-	-
7/2/2007	W/H TAX DIV MRK	(871)	-	* (1)	-	-	3,654,216	-	-	-	-
7/5/2007	W/H TAX DIV HPQ	(231)	-	* (1)	-	-	3,654,216	-	-	-	-
7/10/2007	W/H TAX DIV MO	(1,533)	-	* (1)	-	-	3,654,216	-	-	-	-
7/17/2007	CXL W/H TAX DIV TYC	212	-	212	-	-	3,654,428	-	-	-	-
7/17/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(21)	-	* (1)	-	-	3,654,428	-	-	-	-
8/6/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	* (1)	-	-	3,654,428	-	-	-	-
8/14/2007	CHECK WIRE	(310,000)	-	(310,000)	-	-	3,344,428	-	(310,000)	(310,000)	(310,000)
8/14/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(4)	-	* (1)	-	-	3,344,428	-	-	-	-
8/24/2007	W/H TAX DIV C	(1,159)	-	* (1)	-	-	3,344,428	-	-	-	-
9/4/2007	W/H TAX DIV INTC	(287)	-	* (1)	-	-	3,344,428	-	-	-	-
9/4/2007	W/H TAX DIV WFC	(452)	-	* (1)	-	-	3,344,428	-	-	-	-
9/4/2007	W/H TAX DIV WMT	(232)	-	* (1)	-	-	3,344,428	-	-	-	-
9/5/2007	W/H TAX DIV PFE	(893)	-	* (1)	-	-	3,344,428	-	-	-	-
9/7/2007	W/H TAX DIV BA	(113)	-	* (1)	-	-	3,344,428	-	-	-	-
9/10/2007	W/H TAX DIV IBM	(243)	-	* (1)	-	-	3,344,428	-	-	-	-
9/10/2007	W/H TAX DIV CVX	(540)	-	* (1)	-	-	3,344,428	-	-	-	-
9/10/2007	W/H TAX DIV UTX	(143)	-	* (1)	-	-	3,344,428	-	-	-	-
9/10/2007	W/H TAX DIV XOM	(865)	-	* (1)	-	-	3,344,428	-	-	-	-
9/13/2007	W/H TAX DIV MSFT	(569)	-	* (1)	-	-	3,344,428	-	-	-	-
9/14/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(11)	-	* (1)	-	-	3,344,428	-	-	-	-
9/18/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	3,344,428	-	-	-	-
9/26/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(12)	-	* (1)	-	-	3,344,428	-	-	-	-
10/1/2007	W/H TAX DIV KO	(270)	-	* (1)	-	-	3,344,428	-	-	-	-
10/3/2007	CHECK WIRE	5,000,000	5,000,000	-	-	-	8,344,428	-	-	-	-
10/10/2007	W/H TAX DIV MO	(624)	-	* (1)	-	-	8,344,428	-	-	-	-
10/25/2007	W/H TAX DIV GE	(1,648)	-	* (1)	-	-	8,344,428	-	-	-	-
10/31/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(56)	-	* (1)	-	-	8,344,428	-	-	-	-
11/7/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	8,344,428	-	-	-	-
11/13/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	8,344,428	-	-	-	-
11/15/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	8,344,428	-	-	-	-
11/21/2007	W/H TAX DIV C	(909)	-	* (1)	-	-	8,344,428	-	-	-	-
11/21/2007	W/H TAX DIV MER	(107)	-	* (1)	-	-	8,344,428	-	-	-	-
11/21/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(5)	-	* (1)	-	-	8,344,428	-	-	-	-
11/30/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(7)	-	* (1)	-	-	8,344,428	-	-	-	-
12/3/2007	W/H TAX DIV COP	(226)	-	* (1)	-	-	8,344,428	-	-	-	-
12/3/2007	W/H TAX DIV MCD	(889)	-	* (1)	-	-	8,344,428	-	-	-	-
12/10/2007	W/H TAX DIV UTX	(161)	-	* (1)	-	-	8,344,428	-	-	-	-
12/10/2007	W/H TAX DIV CVX	(608)	-	* (1)	-	-	8,344,428	-	-	-	-

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Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
12/10/2007	W/H TAX DIV EXC	(140)	-	* (1)	-	-	8,344,428	-	-	-	-
12/11/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(14)	-	* (1)	-	-	8,344,428	-	-	-	-
12/11/2007	W/H TAX DIV JNJ	(1,154)	-	* (1)	-	-	8,344,428	-	-	-	-
12/12/2007	W/H TAX DIV MMM	(344)	-	* (1)	-	-	8,344,428	-	-	-	-
12/13/2007	W/H TAX DIV MSFT	(441)	-	* (1)	-	-	8,344,428	-	-	-	-
12/20/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	8,344,428	-	-	-	-
12/31/2007	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(17)	-	* (1)	-	-	8,344,428	-	-	-	-
1/2/2008	W/H TAX DIV WMT	(67)	-	* (1)	-	-	8,344,428	-	-	-	-
1/2/2008	W/H TAX DIV HPQ	(211)	-	* (1)	-	-	8,344,428	-	-	-	-
1/3/2008	W/H TAX DIV UPS	(500,000)	-	(500,000)	-	-	8,344,428	-	(500,000)	-	-
1/28/2008	CHECK WIRE	(500,000)	-	(500,000)	-	-	7,844,428	-	-	-	-
1/28/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(6)	-	* (1)	-	-	7,844,428	-	-	-	-
2/11/2008	CHECK WIRE	(200,000)	-	(200,000)	-	-	7,644,428	-	(200,000)	(500,000)	(500,000)
2/20/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(3)	-	* (1)	-	-	7,644,428	-	-	(200,000)	(200,000)
2/22/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	7,644,428	-	-	-	-
2/22/2008	W/H TAX DIV C	(1,006)	-	* (1)	-	-	7,644,428	-	-	-	-
2/28/2008	W/H TAX DIV GS	(81)	-	* (1)	-	-	7,644,428	-	-	-	-
3/3/2008	W/H TAX DIV WFC	(668)	-	* (1)	-	-	7,644,428	-	-	-	-
3/3/2008	W/H TAX DIV COP	(465)	-	* (1)	-	-	7,644,428	-	-	-	-
3/3/2008	W/H TAX DIV INTC	(467)	-	* (1)	-	-	7,644,428	-	-	-	-
3/4/2008	W/H TAX DIV PFE	(1,341)	-	* (1)	-	-	7,644,428	-	-	-	-
3/4/2008	W/H TAX DIV UPS	(288)	-	* (1)	-	-	7,644,428	-	-	-	-
3/5/2008	W/H TAX DIV MER	(183)	-	* (1)	-	-	7,644,428	-	-	-	-
3/7/2008	W/H TAX DIV BA	(186)	-	* (1)	-	-	7,644,428	-	-	-	-
3/10/2008	W/H TAX DIV XOM	(1,222)	-	* (1)	-	-	7,644,428	-	-	-	-
3/10/2008	W/H TAX DIV IBM	(349)	-	* (1)	-	-	7,644,428	-	-	-	-
3/10/2008	W/H TAX DIV EXC	(204)	-	* (1)	-	-	7,644,428	-	-	-	-
3/10/2008	W/H TAX DIV UTX	(205)	-	* (1)	-	-	7,644,428	-	-	-	-
3/10/2008	W/H TAX DIV CVX	(776)	-	* (1)	-	-	7,644,428	-	-	-	-
3/11/2008	W/H TAX DIV JNJ	(749)	-	* (1)	-	-	7,644,428	-	-	-	-
3/12/2008	W/H TAX DIV MMM	(233)	-	* (1)	-	-	7,644,428	-	-	-	-
3/13/2008	W/H TAX DIV MSFT	(657)	-	* (1)	-	-	7,644,428	-	-	-	-
3/17/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(26)	-	* (1)	-	-	7,644,428	-	-	-	-
3/17/2008	W/H TAX DIV TWX	(142)	-	* (1)	-	-	7,644,428	-	-	-	-
3/17/2008	W/H TAX DIV MCD	(284)	-	* (1)	-	-	7,644,428	-	-	-	-
3/17/2008	W/H TAX DIV WB	(819)	-	* (1)	-	-	7,644,428	-	-	-	-
3/19/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	7,644,428	-	-	-	-
3/24/2008	W/H TAX DIV AIG	(326)	-	* (1)	-	-	7,644,428	-	-	-	-
3/27/2008	W/H TAX DIV HD	(236)	-	* (1)	-	-	7,644,428	-	-	-	-
3/28/2008	W/H TAX DIV BAC	(1,788)	-	* (1)	-	-	7,644,428	-	-	-	-
3/31/2008	W/H TAX DIV PEP	(371)	-	* (1)	-	-	7,644,428	-	-	-	-
4/1/2008	W/H TAX DIV KO	(487)	-	* (1)	-	-	7,644,428	-	-	-	-
4/1/2008	W/H TAX DIV MRK	(531)	-	* (1)	-	-	7,644,428	-	-	-	-
4/2/2008	W/H TAX DIV HPQ	(130)	-	* (1)	-	-	7,644,428	-	-	-	-
4/4/2008	W/H TAX DIV KFT	(267)	-	* (1)	-	-	7,644,428	-	-	-	-
4/4/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	7,644,428	-	-	-	-
4/7/2008	W/H TAX DIV WMT	(346)	-	* (1)	-	-	7,644,428	-	-	-	-
4/23/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(8)	-	* (1)	-	-	7,644,428	-	-	-	-
4/25/2008	W/H TAX DIV GE	(1,967)	-	* (1)	-	-	7,644,428	-	-	-	-
4/25/2008	W/H TAX DIV MDT	(75)	-	* (1)	-	-	7,644,428	-	-	-	-
4/30/2008	W/H TAX DIV MS	(149)	-	* (1)	-	-	7,644,428	-	-	-	-
4/30/2008	W/H TAX DIV JPM	(685)	-	* (1)	-	-	7,644,428	-	-	-	-
5/1/2008	W/H TAX DIV VZ	(668)	-	* (1)	-	-	7,644,428	-	-	-	-
5/1/2008	W/H TAX DIV T	(1,303)	-	* (1)	-	-	7,644,428	-	-	-	-
5/2/2008	W/H TAX DIV CVS	(48)	-	* (1)	-	-	7,644,428	-	-	-	-

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Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
5/2/2008	W/H TAX DIV BK	(144)	-	* (1)	-	-	7,644,428	-	-	-	-
5/9/2008	W/H TAX DIV AXP	(108)	-	* (1)	-	-	7,644,428	-	-	-	-
5/15/2008	W/H TAX DIV PG	(681)	-	* (1)	-	-	7,644,428	-	-	-	-
5/15/2008	W/H TAX DIV ABT	(307)	-	* (1)	-	-	7,644,428	-	-	-	-
5/20/2008	W/H TAX DIV CAT	(126)	-	* (1)	-	-	7,644,428	-	-	-	-
5/23/2008	W/H TAX DIV C	(866)	-	* (1)	-	-	7,644,428	-	-	-	-
5/28/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(35)	-	* (1)	-	-	7,644,428	-	-	-	-
5/29/2008	W/H TAX DIV GS	(70)	-	* (1)	-	-	7,644,428	-	-	-	-
6/2/2008	W/H TAX DIV WMT	(567)	-	* (1)	-	-	7,644,428	-	-	-	-
6/2/2008	W/H TAX DIV WFC	(1,009)	-	* (1)	-	-	7,644,428	-	-	-	-
6/2/2008	W/H TAX DIV COP	(249)	-	* (1)	-	-	7,644,428	-	-	-	-
6/2/2008	W/H TAX DIV INTC	(442)	-	* (1)	-	-	7,644,428	-	-	-	-
6/3/2008	W/H TAX DIV PFE	(2,174)	-	* (1)	-	-	7,644,428	-	-	-	-
6/3/2008	W/H TAX DIV UPS	(454)	-	* (1)	-	-	7,644,428	-	-	-	-
6/6/2008	W/H TAX DIV BA	(294)	-	* (1)	-	-	7,644,428	-	-	-	-
6/10/2008	W/H TAX DIV UTX	(323)	-	* (1)	-	-	7,644,428	-	-	-	-
6/10/2008	W/H TAX DIV EXC	(321)	-	* (1)	-	-	7,644,428	-	-	-	-
6/10/2008	W/H TAX DIV XOM	(2,150)	-	* (1)	-	-	7,644,428	-	-	-	-
6/10/2008	W/H TAX DIV IBM	(689)	-	* (1)	-	-	7,644,428	-	-	-	-
6/10/2008	W/H TAX DIV CVX	(1,372)	-	* (1)	-	-	7,644,428	-	-	-	-
6/10/2008	W/H TAX DIV INJ	(445)	-	* (1)	-	-	7,644,428	-	-	-	-
6/12/2008	W/H TAX DIV MMM	(367)	-	* (1)	-	-	7,644,428	-	-	-	-
6/12/2008	W/H TAX DIV MSFT	(879)	-	* (1)	-	-	7,644,428	-	-	-	-
7/21/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(14)	-	* (1)	-	-	7,644,428	-	-	-	-
7/23/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	7,644,428	-	-	-	-
7/28/2008	CHECK WIRE	(5,400,000)	-	(5,400,000)	-	-	2,244,428	-	(5,400,000)	(5,400,000)	(5,400,000)
7/28/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	2,244,428	-	-	-	-
8/1/2008	W/H TAX DIV CVS	(70)	-	* (1)	-	-	2,244,428	-	-	-	-
8/8/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	2,244,428	-	-	-	-
8/13/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	2,244,428	-	-	-	-
8/20/2008	W/H TAX DIV CAT	(186)	-	* (1)	-	-	2,244,428	-	-	-	-
8/22/2008	W/H TAX DIV C	(1,195)	-	* (1)	-	-	2,244,428	-	-	-	-
8/28/2008	W/H TAX DIV GS	(89)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV WFC	(667)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV BA	(203)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV HD	(86)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV QCOM	(58)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV EXC	(292)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV IBM	(475)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV COP	(506)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV INTC	(549)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(8)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV UPS	(413)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV JNJ	(1,180)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV PEP	(603)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV WMT	(495)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(15)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(2)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV BUD	(187)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV CVX	(1,234)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV XOM	(1,927)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV BAC	(2,588)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV PFE	(1,499)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV TWX	(206)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV MSFT	(805)	-	* (1)	-	-	2,244,428	-	-	-	-

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Exhibit B

BLMIS ACCOUNT NO. IFR048 - SQUARE ONE FUND LTD

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10	Column 11	Column 12
Date	Transaction Description	Amount as Reported in Customer Statement	Deposits	Withdrawals	Transfers In	Transfers Out	Balance of Principal	90-Day Preferential Transfers	2-Year Cash Withdrawals	6-Year Cash Withdrawals	Full History Cash Withdrawals
10/2/2008	W/H TAX DIV UTX	(294)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV AIG	(537)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV MCD	(383)	-	* (1)	-	-	2,244,428	-	-	-	-
10/2/2008	W/H TAX DIV MMM	(334)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	W/H TAX DIV MO	(149)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	W/H TAX DIV HPQ	(179)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	W/H TAX DIV PM	(332)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	W/H TAX DIV BAX	(127)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	W/H TAX DIV KO	(223)	-	* (1)	-	-	2,244,428	-	-	-	-
11/4/2008	W/H TAX DIV MRK	(729)	-	* (1)	-	-	2,244,428	-	-	-	-
12/3/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	2,244,428	-	-	-	-
12/3/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	2,244,428	-	-	-	-
12/3/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(1)	-	* (1)	-	-	2,244,428	-	-	-	-
12/3/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	2,244,428	-	-	-	-
12/3/2008	FIDELITY SPARTAN U S TREASURY MONEY MARKET W/H TAX DIV FDLXX	(0)	-	* (1)	-	-	2,244,428	-	-	-	-
Total:			\$ 28,097,165	\$ (25,852,737)	\$ -	\$ -	\$ 2,244,428	\$ -	\$ (6,410,000)	\$ (24,271,620)	\$ (25,852,737)

<sup>(1)</sup> Amounts withheld from account holders and paid by BLMIS to the IRS on behalf of account holders during the six-year period prior to the filing date have not been deducted from the balance of principal as those amounts have subsequently been refunded by the IRS.

# **Exhibit 2**





## CLASS B - QUARTERLY REVIEW: OCTOBER - DECEMBER 2002

### I. PERFORMANCE REVIEW

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#### *Fund performance versus competition*

Class B returned 1.66% during the fourth quarter. The performance of the competition was as follows:

UBP Selectinvest:	2.95%
Focus Arbitrage:	2.90%
Signet Market Neutral:	2.44%
LCF Alpha Uncorrelated:	1.62%
GAM Market Neutral	(0.42%)

This quarter's performance was in line with competition, Class B underperforming three funds and outperforming two others. The three funds which outperformed this month are more volatile and have more downside risk than A.R.T. Class B. They have hefty allocations to credit strategies, which Class B tries to mitigate. While this worked well in the last quarter it might prove to be a bet on recovering economies and upward trending markets. A.R.T.'s investment advisor is not willing to make this bet in such an uncertain environment.

#### *Fund performance versus market indices*

A.R.T. Class B gained 1.66% during the third quarter. The performances for the relevant indices are the following:

S&P 500	7.92%
MSCI World Free Index	7.32%
DLJ High Yield Index:	5.92%
JP Morgan Global Bond Index:	4.51%
12% Annual Return Index	2.87%
JP Morgan European Bond Index:	2.07%
US 7-10 year treasury index:	0.19%

Treasury markets continued to perform well during the last quarter, especially during December as a massive flight to quality occurred. However, unlike the second and third quarter, credit markets saw a sharp rebound, and credit spreads tightened dramatically. This helped the credit component of the Arbitrage portfolio in general and distressed securities managers in particular.

Sharp reversals in equity markets during the period made it hard for market neutral managers to extract performance but benefited convertible arbitrageurs and other volatility traders.



Quarterly Review October – December 2002

Fixed Income arbitrageurs generally had a good quarter, as they were positioned for further rate cuts and a bearish economic scenario, which proved to be a correct view. Macro managers had a good quarter as well extracting performance from a weakening dollar and from a drop in treasury yields.

The Arbitrage Fund holdings have been slightly changed to avoid going through another Bristol situation. In practice, this translates into two measures:

- Redemption of all funds where NAVs are calculated by the manager, instead of a third party administrator. This has been the case with Deephaven and Gracie (and Epsilon, redeemed for the end of Q1, 2003).
- Redemption of funds which have tail risk, i.e. a small probability of a large loss. This implied redemptions of Drake. At the same time, funds that benefit from unexpected events, systemic shocks or market crisis have been added to the portfolio.

Those two changes should provide better downside protection, and avoid major blow ups in the portfolio.

## II. PORTFOLIO REVIEW

### *P&L Attribution*

The fourth quarter proved to be positive for strategies implying some credit exposure, including convertible arbitrage, diversified arbitrage and distressed securities. High levels of volatility also helped convertible arbitrageurs that ended being the best performing strategy.

All strategies but two added to performance during the quarter. Equity market neutral quantitative had a difficult October as the market reverted sharply hurting their trend following like strategy.

Fixed Income Arbitrage was down as well, reflecting positive performances from all funds, with the exception of Bristol where the performance was revised from down 54% to down 61%. The Investment Manager also decided to take a monthly provision for future claims by Bristol Investors.

The five best individual funds quarterly performances were the following:

<b>Fund</b>	<b>Performance</b>
Lydian Overseas	10.87%
CCM Small Cap	7.58%
Drake	6.95%
Silverpoint	6.60%
Arx Global High Yield	6.19%

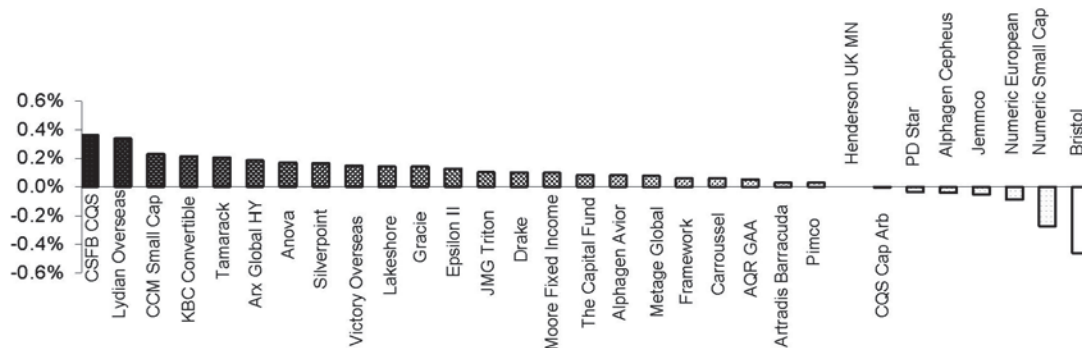
The performances of the different strategies were as follows:

<b>Strategy</b>	<b>Performance</b>
Convertible Arbitrage	6.51%
Distressed Securities	3.94%
Diversified Arbitrage	3.70%
Equity MN Fundam.	2.23%
Event Driven	2.12%
Macro	2.00%
Short Term Trading	0.17%
Equity MN Quant	(1.66%)
Fixed Income Arb	(2.69%)



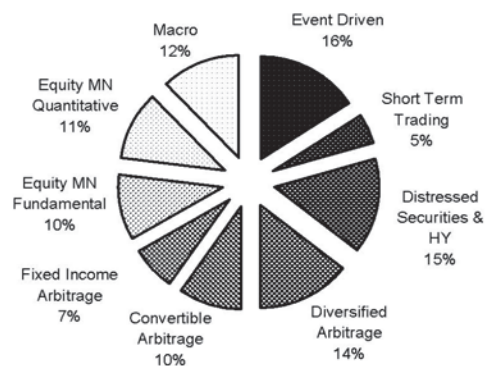
Quarterly Review October – December 2002

P&L attribution by underlying funds:



### Strategy Breakdown

The strategy breakdown as at December 31<sup>st</sup>, 2002 was the following:



The five largest positions are the following:

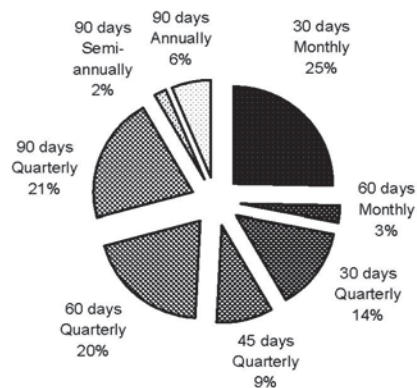
Fund	% of Fund
Tamarack	8.31%
CSFB Conv & Quant	7.83%
Victory Overseas	6.11%
Numeric Small Cap	5.10%
Gracie	4.68%

These are all core managers that are very well known by the Investment Manager.

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### ***Liquidity breakdown***

The liquidity breakdown of A.R.T. Class B is the following (as of December 31<sup>st</sup>, 2002):



$\frac{1}{4}$  of the funds can be liquidated monthly with 30 days notice and  $\frac{2}{3}$  can be redeemed at least quarterly with 60 days notice, which is the redemption frequency of A.R.T. Class B.

### **III. PORTFOLIO ACTIVITY**

#### ***Summary of activities***

Redemptions for the quarter were made for the following reasons:

- Elimination of unwanted exposures (Lydian and Drake). Lydian is a convertible arbitrage fund with important credit exposure. Drake is highly levered and has tail risk.
- Limitation of systemic risk: Square One has been redeemed because there is no third party verification of assets. During the first quarter of 2003 this move will continue, with the redemption of Epsilon II.
- Funds which strategy has moved to be more Investing type. This is the case of Victory Overseas, which has included currency trading in its strategy. Victory has been partially transferred to Investing Pool.

Subscriptions over the quarter reflected the following rationale:

- Replacement of redeemed positions: Silverback replace Lydian in convertible arbitrage. The characteristics of Silverback is to be long extreme outcomes (while Lydian was short those outcomes).
- Top down asset allocation: Kingsford and Condor, two short sellers were added. This reflects the willingness of the Investment Advisor to protect the fund in a systemic crisis type of environment.
- Bottom up asset allocation: D.E. Shaw and CCM Small Cap were added as both funds reopened for limited capacity.
- Diversification and farm team positions: CQS Capital Structure Arbitrage, Eriswell and Astin are new funds, launched in the 4<sup>th</sup> quarter of 2002. These are farm team positions (all of them are less than 2% of the portfolio), meant at diversifying the portfolio and provide an early relationship with a potentially very successful manager.



Activity was particularly intense during the fourth quarter, reflecting the Investment Advisor's willingness to correct the imbalances of 2002 and enter 2003 with a well diversified and hedged portfolio. Most positions added would perform well in extreme environment, while still adding value in benign markets, hence improving the risk/return profile of the fund.

### ***Subscriptions***

- **CQS Capital Structure Arbitrage Fund** (October 31, 2002): Credit Arbitrage. This fund trying to capture mispricings in the credit market and in capital structures. It has no credit exposure and is run by a team well known to the investment advisor (also running CSFB CQS, AB Alternative Strategies largest position).
- **CCM Small Cap Value Fund** (October 31, 2002): Small Cap US Equities Market Neutral. This is a relatively volatile and aggressive market neutral fund, implied in the US small cap sector. The manager is an outstanding stock picker and has improved his risk management lately, allowing the Investment Advisor to recommend an allocation in the Arbitrage Fund.
- **Eriswell Multi-Strategy Fund** (November 30, 2002): Multi-Strategy. Eriswell is a new fund, managed by the ex-Tokai Bank Europe proprietary desk. The managers have an outstanding reputation, and a first class track record. As such, a test position was initiated.
- **Astin V Fund** (November 30, 2002): Volatility Arbitrage. This is again a start up. The three managers are very experienced in volatility trading and have a different/original approach to volatility arbitrage. A test position was started.
- **Silverback Offshore** (December 31, 2002): Convertible Arbitrage. This fund is run by the ex-Argent portfolio manager. He has a wealth of experience in equity derivative trading and a very original approach to credit hedging. Moreover, he has built a strong team to support him.
- **D.E. Shaw Composite International** (December 31, 2002): Multi-Strategy. This fund uses a quantitative approach to trading different strategies, including long/short equity, equity derivatives and futures. It is a large organization, which has proven itself over several years and has uncorrelated returns to other strategies.
- **Condor Offshore Investors** (December 31, 2002): Short Seller. While being net short the market all the time, this fund is run with an absolute return focus and with an emphasis on protecting capital. The result the manager produces are nice, non-correlated and of low volatility.
- **Kingsford International** (December 31, 2002): Short Seller. This fund has been identified as one of the best short sellers, being able to make money in bull markets as in bear markets. The fund has been added in concordance with a top down view on the portfolio, to increase protection in case of a systemic/liquidity crisis.

### ***Redemptions***

- **Square One Fund** (October 31, 2002, for value date December 31, 2002): Split Strike Conversion. This manager has achieved very stable and nice returns for more than 10 years. However, there are important conflicts of interests, as the manager is his own custodian and values the portfolio himself. To avoid any other blow ups, the position has been redeemed.
- **Numeric European** (November 15, 2002 for value date November 30, 2002): Equity Market Neutral Systematic. While the investment advisor still likes this fund and the manager, the position had become increasingly small in the portfolio and the fund was closed, preventing



any increase in allocation. As such, this fund was redeemed and the position in Numeric Small Cap (same strategy) was increased.

- **Lydian Overseas** (November 30, 2002 for value date December 31, 2002): Convertible Arbitrage. While this fund exhibited positive returns in 2002, it is very credit sensitive and therefore correlated to the performance of credit market. The Investment Advisor prefers taking explicit credit risk, instead of uncontrollable implicit credit risk.
- **Drake Offshore** (November 30, 2002 for value date December 31, 2002 and March 31, 2003): Fixed Income Arbitrage. This fund has achieved nice returns last year. However, the strategy is highly levered (10 times on average) and the fund has some tail risk, expressed through credit and Mortgage securities exposures. To avoid any further blow ups, like the Bristol case, the fund has been redeemed.
- **Victory Overseas** (December 31, 2002 for value date January 31, 2002): Fixed Income Arbitrage/Macro. While this fund still achieves attractive return with very low volatility, the manager had added currency trading to his range of strategies. Forex are directional in nature and therefore this fund doesn't belong in the Arbitrage Fund anymore. However, a position will be built in the Investing Fund.

# **Exhibit 3**



## CLASS C - QUARTERLY REVIEW: OCTOBER - DECEMBER 2002

### I. PERFORMANCE REVIEW

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#### *Fund performance versus competition*

For the third quarter of 2002, Class C advanced by +2.15%. The performance of the competition was as follows:

Alpha Strategic:	1.38%
JPM Multi-Strategy:	1.05%
GAM Diversity	0.84%
Dinvest:	0.24%
Leveraged Capital Holding:	(0.46%)
Hausmann Holdings:	(0.16%)

A.R.T. Class C ended an awful year on a strong note, outperforming all competitors, by more than 75 basis points. While looking at the full year 2002, A.R.T. Class C performed in line with competition, even taking into account the 80 basis points that the Bristol Fund blow up cost the fund.

Performance of competition ranged from +3.42% for GAM Diversity to -6.28% for Hausmann Holdings. A.R.T. Class C outperformed three funds (Hausmann Holdings, Leveraged Capital Holdings and Dinvest) and underperformed the three others. Only GAM Diversity and JPM Multi-Strategy had positive years, mainly because they hold more than 30% of their assets in Macro and CTA funds.

#### *Fund performance versus market indices*

The fourth quarter proved to be another volatile period, although mainly on the upside. Both equities and credit rallied sharply in October and November from an oversold situation, before giving back part of the gains in December. Quarterly performances for relevant indices were as follows:

Nasdaq:	+13.95%
S&P 500:	+7.92%
MSCI World:	+7.32%
MSCI Europe:	+5.95%
DLJ High Yield Index:	+5.92%
JP Morgan Global Bond Index:	+4.51%
MSCI Pacific Ex-Japan:	+4.06%
JP Morgan European Bond Index:	+2.07%
US 7-10 year treasury index:	+0.19%
Topix:	(8.44%)



### Investing Strategies

The fourth quarter saw relative market performance be more in line with economic fundamentals, the most resilient economies having better stock market performance (especially North America and Asia), while weaker economies like Europe underperformed. Japan was down for the quarter, following its own deflation/recession logic.

The strong quarterly performance from US and European markets hides high intra-month volatility, as investors remained nervous about the prospects of an economic upturn and the increasing probability of a US armed involvement in Iraq.

The quarter started on a strong note, as markets rallied abruptly in October, mainly led by technicals, sentiment and short squeezes. This surprised most Long/short managers which posted disappointing returns for the month. The rally continued in November and was supported by a further 50 basis points rate cut by the Fed at the beginning of the month. This allowed the Investing Fund to post its strongest return since inception, as managers adapted their market exposures.

December was sharply down, as indicators of economic activity remained below expectation, and the US consumer gave clear signs of weakening. On the corporate front, companies haven't increased their capital expenditures in any significant way, and have continued to slash costs, creating increased unemployment. Adding to this, a warlike US president added to geopolitical fears. A.R.T. Class C managed to edge up on the month, as an increased allocation to Macro managers (most of them being bearish) paid off, and Long/short equity managers ended the month approximately flat.

In light of the market environment and the uncertainties surrounding the state of global economies and markets, A.R.T. Class C has been remodeled to take advantage of both a worst case (deflation, recession, bear market and lengthy war in Iraq) and a best case scenario (improving economies and a short war in Iraq), while being able to take advantage of uncertainties and volatility in the market. As such, the portfolio has a balanced allocation to positive and negative beta managers that should enable the fund to extract positive performance going forward. This has worked during the last two months of 2002 where A.R.T. Class C was up 1.91% and 0.81% respectively, in very different market conditions.

### Arbitrage Strategies

Treasury markets continued to perform well during the last quarter, especially during December as a massive flight to quality occurred. However, unlike the second and third quarter, credit markets saw a sharp rebound, and credit spreads tightened dramatically. This helped the credit component of the Arbitrage portfolio in general and distressed securities managers in particular.

Sharp reversals in equity markets during the period made it hard for market neutral managers to extract performance but benefited convertible arbitrageurs and other volatility traders.

Fixed Income arbitrageurs generally had a good quarter, as they were positioned for further rate cuts and a bearish economic scenario, which proved to be a correct view. Macro managers had a good quarter as well extracting performance from a weakening dollar and from a drop in treasury yields.

The Arbitrage portfolio holdings have been slightly changed to avoid going through another Bristol situation. In practice, this translates into two measures:

- Redemption of all funds where NAVs are calculated by the manager, instead of a third party administrator. This has been the case with Deephaven and Gracie (and Epsilon, redeemed for the end of Q1, 2003).
- Redemption of funds which have tail risk, i.e. a small probability of a large loss. This implied redemptions of Drake. At the same time, funds that benefit from unexpected events, systemic shocks or market crisis have been added to the portfolio.



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Those two changes should provide better downside protection, and avoid major blow ups in the portfolio.

## II. PORTFOLIO REVIEW

### *P&L Attribution*

The Investing and Arbitrage sub-portfolios of A.R.T. Class C performed as follows during the quarter:

	Investing Sub-portfolio	Arbitrage Sub-portfolio
October 2002	(0.81%)	(0.22%)
November 2002	2.39%	1.13%
December 2002	0.93%	0.75%
<b>Total</b>	<b>2.51%</b>	<b>1.66%</b>

During the fourth quarter, most of the performance came from credit strategies, which benefited from a spread widening. These include distressed securities, event driven and to some extent convertible arbitrage. Moreover, some arbitrage strategies were able to capitalize on high levels of volatility in the market (convertible arbitrage and diversified arbitrage).

Equity L/S short strategies lagged somewhat as managers had to cope with sharp reversals in market directions, which caused some of them to be squeezed. Overall, long/short strategies were flat over the quarter, with small cap equities being the best performer and Asian equities the worst.

The five best individual funds quarterly performances were the following:

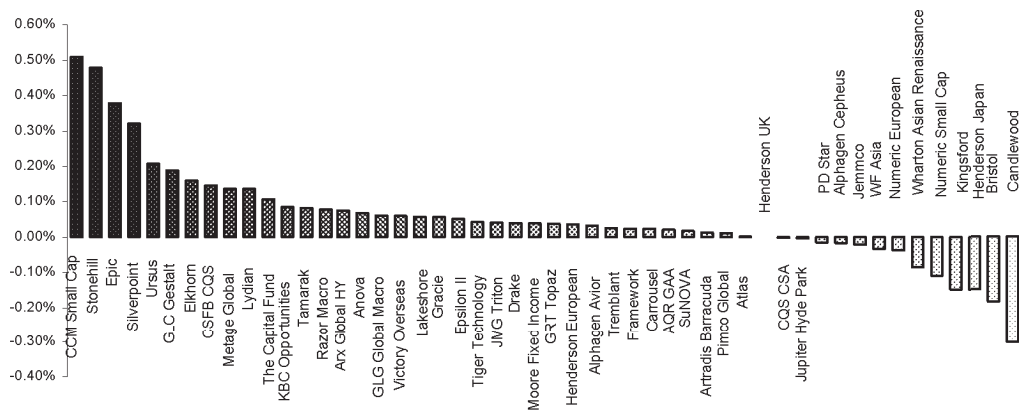
Fund	Performance
CCM Small Cap	14.57%
Lydian Overseas	10.87%
Epic Distressed	10.20%
Stonehill	10.03%
Drake	6.95%

The performances of the different strategies were as follows:

Strategy	Performance
L/S Equity Small Cap	8.69%
Distressed Securities	6.99%
Convertible Arbitrage	6.51%
Diversified Arbitrage	3.70%
Short Term Trading	3.57%
Event Driven	3.05%
Equity MN Fund.	2.23%
Macro	2.09%
L/S Equity Sector	2.01%
L/S Equity Europe	0.91%
Equity MN Quant	(1.66%)
Fixed Income Arb	(2.69%)
L/S Equity US	(2.91%)
L/S Equity Asia & Jp	(3.69%)

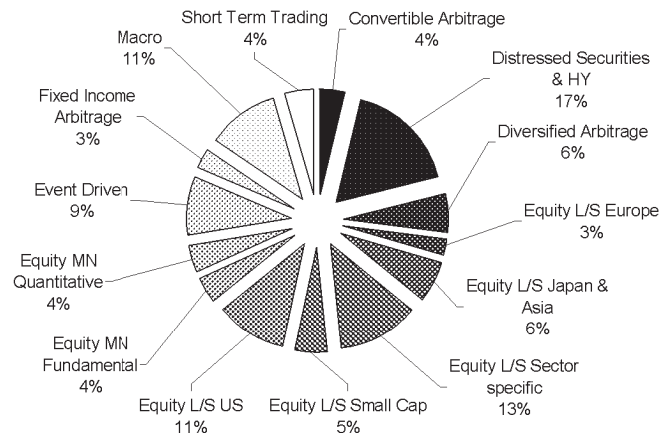
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P&L attribution by underlying funds:



### Strategy Breakdown

The strategy breakdown as at December 31<sup>st</sup>, 2002 was the following:



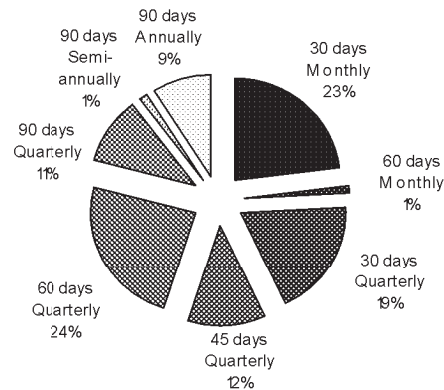
The five largest positions are the following:

Fund	% of Fund
The Capital Fund	5.68%
Silverpoint	4.92%
Stonehill	4.90%
Candlewood	4.58%
CCM Small Cap	4.47%

These are all managers well known by the investment advisor.

### ***Liquidity breakdown***

The liquidity breakdown of Class C is the following (as of December 31<sup>st</sup>, 2002):



¼ of the fund can be liquidated monthly with 30 days notice and 79% can be redeemed at least quarterly with 60 days notice, which is the redemption frequency of Class C.

### **III. PORTFOLIO ACTIVITY**

#### ***Investing Activity summary***

During the fourth quarter, redemption were made following 2 different rationale:

- Partial redemptions were made in different funds (position decreased) where the fund had troubles achieving good returns in volatile markets or exhibit too much market beta. As such, position in Henderson Japan, Ursus, Candlewood and SuNOVA were reduced.
- Total redemption in funds where the manager left the company to start his own firm (Shaker Heights).

On the subscription front, the top down view led to following activity:

- Positions were added to two macro funds (GLG Global Macro and Razor Global Macro), in order to diversify the portfolio away from long/short equity funds.
- Short beta was increased with the addition of Condor Offshore, a short seller.
- Two investments in European long/short funds were made. European managers proved to be better at protecting capital and extracting alpha than their US counterpart in 2002. Moreover, this strategy was underweight in the Investing portfolio.

From a bottom up perspective, positions were added with Atlas Capital and D.E. Shaw Composite, two funds which the Investment Advisor knows well and which were closed up to now.

While activity was intense during the quarter, this reflects the willingness of the Investment Advisor to achieve the following goals:

- Diversify the portfolio (the number of position increased during the quarter)
- Limit long market exposure in the portfolio. This has mainly been done by adding funds which are holding a bearish stance for the time being (GLG Macro, Razor, Atlas and Jupiter are bearish), but which can quickly reposition themselves in a market rally.

### ***Arbitrage Activity summary***

Redemptions for the quarter were made for the following reasons:

- Elimination of unwanted exposures (Lydian and Drake). Lydian is a convertible arbitrage fund with important credit exposure. Drake is highly levered and has tail risk.
- Limitation of systemic risk: Square One has been redeemed because there is no third party verification of assets. During the first quarter of 2003 this move will continue, with the redemption of Epsilon II.
- Funds which strategy has moved to be more Investing type. This is the case of Victory Overseas, which has included currency trading in its strategy. Victory has been partially transferred to Investing Pool.

Subscriptions over the quarter reflected the following rationale:

- Replacement of redeemed positions: Silverback replace Lydian in convertible arbitrage. The characteristics of Silverback is to be long extreme outcomes (while Lydian was short those outcomes).
- Top down asset allocation: Kingsford and Condor, two short sellers were added. This reflects the willingness of the Investment Advisor to protect the portfolio in a systemic crisis type of environment.
- Bottom up asset allocation: D.E. Shaw and CCM Small Cap were added as both funds reopened for limited capacity.
- Diversification and farm team positions: CQS Capital Structure Arbitrage, Eriswell and Astin are new funds, launched in the 4<sup>th</sup> quarter of 2002. These are farm team positions (all of them are less than 2% of the portfolio), meant at diversifying the portfolio and provide an early relationship with a potentially very successful manager.

Activity was particularly intense during the fourth quarter, reflecting the Investment Advisor's willingness to correct the imbalances of 2002 and enter 2003 with a well diversified and hedged portfolio. Most positions added would perform well in extreme environment, while still adding value in benign markets, hence improving the risk/return profile of the fund.

### ***Investing Subscriptions***

The following subscriptions were made during the quarter for the investing part of the portfolio:

- **GLG Global Macro** (October 30, 2002): Global macro tends to be a risky strategy, mainly because of directionality and concentration and it is therefore paramount to focus on the risk management capabilities of the team. In the case of GLG, the Investment Advisor feels that the managers are not only smart in the macroeconomic analyses, but outstanding in their risk management.

- **Razor Global Macro** (October 30, 2002): this fund is run by a seasoned manager, which was head of macro investing at Tiger during the 90's. Risk management is again outstanding.
- **Jupiter Hyde Park** (October 30, 2002): L/S European equity. This fund has a very opportunistic approach to investing in European equities and proved to be very nimble in the past, achieving good returns with minimal volatility. This fund is part of what the Investment Advisor calls the "pragmatic school" by opposition to dogmatic.
- **Atlas Capital** (October 30, 2002): L/S US Equities. This fund is run by a ex-short seller, who has proven over the years that he was able to add value on the short side. He now runs a tightly hedged portfolio mainly in US small cap stocks. The Investment Advisor has been knowing this manager for a long time and has recommended an investment as the fund reopened.
- **D. E. Shaw International** (December 31, 2002): Multi-Strategy. This fund uses a quantitative approach to trading different strategies, including long/short equity, equity derivatives and futures. It is a large organization, which has proven itself over several years and has uncorrelated returns to other strategies.
- **Condor Offshore** (December 31, 2002): Short Seller. While being net short the market all the time, this fund is run with an absolute return focus and with an emphasis on protecting capital. The result the manager produces are nice, non-correlated and of low volatility.
- **Polar Capital Market Neutral** (December 31, 2002): L/S UK Equities. While this fund has "market neutral" in his name, it is not run in a market neutral fashion, but rather with a low net exposure ranging from -30% to +30%. This is again a European manager with strong market orientated style and a nimble approach to investing. The result is high turnover and flexibility, allowing the manager to extract nice performance in the current market environment.

### ***Arbitrage Subscriptions***

- **CQS Capital Structure Arbitrage Fund** (October 31, 2002): Credit Arbitrage. This fund trying to capture mispricings in the credit market and in capital structures. It has no credit exposure and is run by a team well known to the investment advisor (also running CSFB CQS, AB Alternative Strategies largest position).
- **CCM Small Cap Value Fund** (October 31, 2002): Small Cap US Equities Market Neutral. This is a relatively volatile and aggressive market neutral fund, implied in the US small cap sector. The manager is an outstanding stock picker and has improved his risk management lately, allowing the Investment Advisor to recommend an allocation in the Arbitrage Fund.
- **Eriswell Multi-Strategy Fund** (November 30, 2002): Multi-Strategy. Eriswell is a new fund, managed by the ex-Tokai Bank Europe proprietary desk. The managers have an outstanding reputation, and a first class track record. As such, a test position was initiated.
- **Astin V Fund** (November 30, 2002): Volatility Arbitrage. This is again a start up. The three managers are very experienced in volatility trading and have a different/original approach to volatility arbitrage. A test position was started.
- **Silverback Offshore** (December 31, 2002): Convertible Arbitrage. This fund is run by the ex-Argent portfolio manager. He has a wealth of experience in equity derivative trading and a very original approach to credit hedging. Moreover, he has built a strong team to support him.
- **D.E. Shaw Composite International** (December 31, 2002): Multi-Strategy. This fund uses a quantitative approach to trading different strategies, including long/short equity, equity

derivatives and futures. It is a large organization, which has proven itself over several years and has uncorrelated returns to other strategies.

- **Condor Offshore Investors** (December 31, 2002): Short Seller. While being net short the market all the time, this fund is run with an absolute return focus and with an emphasis on protecting capital. The result the manager produces are nice, non-correlated and of low volatility.
- **Kingsford International** (December 31, 2002): Short Seller. This fund has been identified as one of the best short sellers, being able to make money in bull markets as in bear markets. The fund has been added in concordance with a top down view on the portfolio, to increase protection in case of a systemic/liquidity crisis.

### ***Investing Redemptions***

- **Shaker Heights Fund** (November 15, 2002, for value date November 30, 2002): L/S US Equities. The manager for this fund has left the firm, with 19 other employees to start his own hedge fund.

### ***Arbitrage Redemptions***

- **Square One Fund** (October 31, 2002, for value date December 31, 2002): Split Strike Conversion. This manager has achieved very stable and nice returns for more than 10 years. However, there are important conflicts of interests, as the manager is his own custodian and values the portfolio himself. To avoid any other blow ups, the position has been redeemed.
- **Numeric European** (November 15, 2002 for value date November 30, 2002): Equity Market Neutral Systematic. While the investment advisor still likes this fund and the manager, the position had become increasingly small in the portfolio and the fund was closed, preventing any increase in allocation. As such, this fund was redeemed and the position in Numeric Small Cap (same strategy) was increased.
- **Lydian Overseas** (November 30, 2002 for value date December 31, 2002): Convertible Arbitrage. While this fund exhibited positive returns in 2002, it is very credit sensitive and therefore correlated to the performance of credit market. The Investment Advisor prefers taking explicit credit risk, instead of uncontrollable implicit credit risk.
- **Drake Offshore** (November 30, 2002 for value date December 31, 2002 and March 31, 2003): Fixed Income Arbitrage. This fund has achieved nice returns last year. However, the strategy is highly levered (10 times on average) and the fund has some tail risk, expressed through credit and Mortgage securities exposures. To avoid any further blow ups, like the Bristol case, the fund has been redeemed.
- **Victory Overseas** (December 31, 2002 for value date January 31, 2002): Fixed Income Arbitrage/Macro. While this fund still achieves attractive return with very low volatility, the manager had added currency trading to his range of strategies. Forex are directional in nature and therefore this fund doesn't belong in the Arbitrage Fund anymore. However, a position will be built in the Investing Fund.



# **Exhibit 4**



# ***I. EMPLOYEE WORKFLOW SPLIT***

## **A. ANALYST WORKFLOW SPLIT**

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### ***i. Responsibility split***

Each analyst will be responsible for a set of strategies. The current split is as follows:

- Luc Estenne: Directional Trading – CTA Trend Following  
Directional Trading – CTA Mean Reversion  
Directional Trading – CTA Discretionary  
Directional Trading – Global Macro  
Relative Value – Fixed Income Arbitrage
- Jerome Muller: Relative Value – Convertible Arbitrage  
Relative Value – Equities Quantitative  
Relative Value – Capital Structure Arbitrage  
Relative Value – Volatility Arbitrage  
Specialist Credit – L/S High Yield  
Specialist Credit – Distressed Security  
Specialist Credit – Credit trading  
Multi-process – Quantitative Strategies  
Multi-process – Relative Value  
Multi-process – Event Driven
- Olivier Magnin: Directional Trading – Short Term Trading  
Relative Value – Merger Arbitrage  
Security Selection – Long bias  
Security Selection – Short bias  
Security Selection – Variable bias  
Security Selection – No bias

Each analyst will be responsible for the following, related to the managers/funds that fall in his strategy responsibility:

- Meet managers in Geneva
- Attend roadshows, breakout sessions, etc.
- Insure proper idea generation flow
- Keep track of recommendations regarding managers in his group
- Organize meetings, phone calls, follow ups for managers in his group
- Keep a short list of managers in his list where more work is to be done
- Keep an updated priority list for funds in his list
- Input and maintain all qualitative and quantitative data in Cogendi for managers in his group.

All the above points are discussed in more details below.

### ***ii. Manager meetings***

Every analyst is responsible for taking appropriate meetings for managers falling in his group. As such, every analyst is responsible for:

- screening e-mails related to funds in his group
- answer phone calls from marketers, prime brokers or managers
- Propose meetings to other analysts.

Every analyst will make sure that he only takes meetings with managers where there is a true interest in the strategy, fund of background or a special reference from a peer or capital introduction person.

### ***iii. Idea generation***

Every analyst will insure that he stays on top of the market. Recommended ways to achieve this are the following:

- Call prime brokers to ask for new launches list (especially GS, MS, DB, CSFB)
- Talk as frequently as possible with fellow investors in our contact network
- Read all news paper and e-mail news alerts available

Every analyst will be responsible for his own idea generation, using any means he considers appropriate.

### ***iv. Potential manager tracking***

Each analyst is responsible for keeping a list of all funds/managers recommended by third parties (including prime brokers, marketers and investors). These funds/managers, should be input in Cogendi and a clear follow up schedule should be put in place, on a common excel spreadsheet (to be constructed and linked to Cogendi for automatic update).

### ***v. Follow up procedure organization***

Based on the common excel spreadsheet used to track managers, a follow up procedure, including next step action and deadline should be maintained. Next Actions and deadlines will be as follows:

Step	Follow up status	Next Actions	Deadline
1.	Peer recommendation	Visit	3 months
2.	First meeting done	Reject Revisit Monitor	N/A 3 months 6 months
3.	Second meeting done	Reject Due Diligence Monitor	N/A 1 month 6 months
4.	Due Diligence done	Reject Invest	N/A 1 month
5.	Farm team position	Call Visit Increase Maintain Alarm list Reduce Redeem	Every 4 months Every 4 months 3 months 3 months 3 months 3 months 1 month
6.	Intermediate position	Call Visit Increase Maintain Alarm list Reduce Redeem	Every 3 months Every 3 months 3 months 3 months 3 months 3 months 1 month
7.	Core position	Call Visit Increase Maintain Alarm list Reduce Redeem	Every 2 months Every 3 months 3 months 3 months 3 months 3 months 1 month
8.	Redeemed position	Revisit	12 months

This excel file will also include the following information:

- Date of last call
- Date of last visit
- Person met with
- Location
- Fiscal year end
- Audit status
- Liquidity
- Exit fees/lock up
- Amount invested

***vi. Manager short list***

Each analyst will maintain a short list of managers that he is responsible for, including the work to be done on each of them and priorities in terms of workflow. Analysts will use the template to be found in Common\..., directly linked to Cogendi and discussed in more details below.

***vii. Priority List***

Each analyst will keep a priority list for potential funds and active funds (for increase or decrease of allocation). This will be done using a template linked to Cogendi (to be found in Common\...)

***viii. Qualitative data Input***

Each analyst will be in charge to input qualitative data related to his manager group in the Cogendi system, according to the procedure set out below. Information to be entered by each analyst include the following:

- Individual
- Management Company
- Investment Vehicle
- Third Parties
- Internal Information

Depending on the status of the fund, fields to be completed will vary as set out below.

***ix. Quantitative data Input***

Each analyst will be in charge of entering past track record for the funds in his group. Additionally, each analyst will have responsibility for entering weekly and monthly NAVs in the system, as well as assets under management on a monthly/quarterly basis.

Olivier Magnin will be in charge of maintaining the portfolio, managing additions, redemptions, subscriptions for each sub-funds.

***x. electronic filing***

Each analyst will be responsible for electronic filing of all information relating to his manager group. Filing/archiving should be done at least once a month by each analyst. Filing procedures are as follows:

- All files must be archived under: common\manager
- Folders should bear the management company name (not the fund name)

- If the management company runs more than 1 fund, sub-folders with fund name should be created in the management company folder
- For each fund, 4 sub-folder should be created, containing the following information:

Sub-folder name	Files
NAV/Reports	Weekly and monthly performance and navs, both from the manager and the administrator, monthly and quarterly shareholder reports, asset allocation statistics, portfolios, etc.
Presentation	All marketing and powerpoint presentations, standard due diligence questionnaires, etc.
Documents	All legal documents, including offering documents, subscription agreements, administration agreement, investment management agreements, confirmation of manager investment in the fund, etc.
Research	All in house research documents, including due diligences, quantitative analysis, meeting reports and reference checks.
Correspondence	All documents related to correspondence, address changes...

#### ***xi. physical filing***

Each analyst will be in charge of physical filing for all funds in his group. Physical filing should be limited to a minimum and be done at least once a month. Files to be archived physically should include:

- Files for active managers, or managers where there is a genuine interest in investing
- Only files that cannot be obtained electronically.

## **B. SUPPORT WORKFLOW SPLIT**

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### ***i. Qualitative data input***

Nathalie Mottier will be in charge of entering and maintaining qualitative data with regards to indices and multi-manager funds.

### ***ii. Quantitative data input***

Quantitative data for indices and multi-manager funds will be entered by Nathalie Mottier, on a weekly and monthly basis.

### ***iii. electronic filing***

Nathalie will be in charge of electronic filing for all documents not related to hedge fund and management companies. This will include:

- Square One related documents
- Fund of funds (including PASA fund of funds) related documents
- Legal and operational documents
- Any other documents.

### ***iv. physical filing***

Nathalie will be in charge of physical filing for all non-investment related documents. All documents available in electronic format should not be filed physically.

## II. INVESTMENT PROCESS

### A. QUALITATIVE DATA INPUT

#### i. Input of data

##### a. Creation of a new object

##### *Investing Vehicle*

When creating a new investment vehicle object, the GID, must be written in large caps and must reflect the name of the fund. For instance, for D.E. Shaw Composite, the GID can be DESHAW. All investment vehicles must have a code name, which should be the investment strategy (as defined below), a short name and a denomination currency. An example snapshot is as follows:

The screenshot shows a dialog box titled "Object Insertion". It contains several input fields and dropdown menus. The fields are: GID (DESHAW), Name (D.E. Shaw Composite), Short Name (DE Shaw), Code Name (ulti-process: Quantitative Strategies), Source (Partners), Object Type (Investment Vehicle), and Currency (US Dollar). At the bottom, there are "Cancel" and "OK" buttons.

GID :	DESHAW
Name :	D.E. Shaw Composite
Short Name :	DE Shaw
Code Name :	ulti-process: Quantitative Strategies
Source :	Partners
Object Type :	Investment Vehicle
Currency :	US Dollar

##### *Company*

When creating a new company object, the GID must be written in small caps and must reflect the name of the company. For management company all GID must end by "\_M". An example would be D.E. Shaw & Co. LP, the GID being DESHAW\_M. Management company are not required to have a code name or a currency, but should have a short name. Below is an example:

The screenshot shows a dialog box titled "Object Insertion". It contains several input fields and dropdown menus. The fields are: GID (DESHAW\_M), Name (D.E. Shaw & Co. LP), Short Name (DE Shaw), Code Name (empty), Source (Partners), Object Type (Company), and Currency (N/A). At the bottom, there are "Cancel" and "OK" buttons.

GID :	DESHAW_M
Name :	D.E. Shaw & Co. LP
Short Name :	DE Shaw
Code Name :	
Source :	Partners
Object Type :	Company
Currency :	N/A

*Individual*

For new individual objects, the GID should always be the first letter of the first name and the entire last name.

Example: Eddie Fishman would be EFISHMAN. David E. Shaw would be DSHAW. Name should mention the full name and short name the first name of the contact. No code name or currency is required. An example is below:

The screenshot shows a dialog box titled "Object Insertion". It contains several input fields and dropdown menus. The "GID" field is filled with "EFISHMAN". The "Name" field is filled with "Eddie Fishman". The "Short Name" field is filled with "Eddie". The "Code Name" field is empty. The "Source" dropdown menu is set to "Partners". The "Object Type" dropdown menu is set to "Individual". The "Currency" dropdown menu is set to "N/A". At the bottom of the dialog, there are two buttons: "Cancel" and "OK".

b. Data to input before having met the manager

*Investment vehicle*

When funds have been referred to an analyst (by investors, third parties, etc.) an entry should be made in the system, with very basic information. Next to the creation of an investment vehicle object (as above), the following information should be entered:

Sheet	Field Label	Data to input
Characterization	Style	Select from list
Characterization	Sub-style	Select from list
Follow Up	Tracking status	"To review"
Follow up	Analyst	Analyst name

An example would be as follows:



ENavigator Editor - D. E. Shaw Composite

General Characterisation Comments Documents Follow up Cross-references

**Styles**

Multi-Process 100%

**SubStyles**

Quantitative Strategy 100%

**Others biases**

Category	Bias
<input type="checkbox"/>	Equity Market Beta risk
<input type="checkbox"/>	Equity Market Volatility risk
<input type="checkbox"/>	Bond Market Volatility risk
<input type="checkbox"/>	Derivative Market Volatility risk
<input type="checkbox"/>	Commodity Market Volatility risk
<input type="checkbox"/>	Credit Market Volatility risk
<input type="checkbox"/>	Currency Market Volatility
<input type="checkbox"/>	Equity Style exposure risk
<input type="checkbox"/>	Concentration risk
<input type="checkbox"/>	Momentum exposure risk
<input type="checkbox"/>	Liquidity risk
<input type="checkbox"/>	Liquidity providing risk
<input type="checkbox"/>	Credit Risk
<input type="checkbox"/>	Vega Risk
<input type="checkbox"/>	Duration Risk
<input type="checkbox"/>	Yield Curve Risk
<input type="checkbox"/>	Basis Risk

ID: DESHAW / Source: Partners

Information to input

ENavigator Editor - D. E. Shaw Composite

General Characterisation Comments Documents Follow up Cross-references

**Status Tracking**

Date: 12/25/2002 Event: To review

**Analysts**

Analyst: Jérôme Muller Order:

ID: DESHAW / Source: Partners

*Company*

Company data to be entered in the system for a manager to be reviewed are the following:

Sheet	Field Label	Data to input
General	Addresses	City & Country
General	Contacts	Phone & E-mail

*Individual*

Sheet	Field Label	Data to input
General	Name	First & Last Name
General	Contacts	Phone & E-mail

c. Data to input after the first meeting

*Investment vehicle*

After a first meeting, data to input will vary on the conclusion (next action) of the responsible analyst (the different next action steps are mentioned on page 3, "follow up procedure organization"). Fields to input will be as follows:

1. Reject

Sheet	Field Label	Data to input
Characterization	Style	Select from list
Characterization	Sub-style	Select from list
Comments	Punch line	Brief conclusion
Comments	Nex: Action	"None"
Comments	Meeting/calls	Date, place and people present
Comments	Strategy	Brief strategy description
Comments	Strategy/portfolio conclusion	Brief conclusion
Comments	Organisation/structure conclusion	Brief conclusion
Comments	Follow up status justification	Why rejected?
Documents	Documents	Attach all related folders
Follow Up	Tracking status	"rejected"
Follow up	Analyst	Analyst name

All comments should be brief and explicit.

2. Monitor

Sheet	Field Label	Data to input
Characterization	Style	Select from list
Characterization	Sub-style	Select from list
Comments	Punch line	Brief conclusion
Comments	Nex: Action	"Monitor"
Comments	Meeting/calls	Date, place and people present
Comments	Strategy	Brief strategy description
Comments	Strategy/portfolio conclusion	Brief conclusion
Comments	Organisation/structure conclusion	Brief conclusion
Comments	Follow up status justification	Which next steps?
Documents	Documents	Attach all related folders
Follow Up	Tracking status	"Reviewed Level I"
Follow up	Analyst	Analyst name

3. Revisit



A fund should be classified as "revisit" after a first meeting only if there is a genuine interest in an investment. As such, the timing, the strategy and both bottom up and top down analysis should point towards a high preliminary interest in the fund. Fields to enter are the following:

Sheet	Field Label	Data to input
General	General	Registration
General	General	Inception date
General	General	Management Fee
General	General	Incentive Fee
General	Subscription	Frequency
General	Subscription	Min. Investment
General	Subscription	Entry Fees
General	Subscription	Lockup period
General	Redemption	Frequency
General	Redemption	Notice Period
General	Redemption	Exit Fee
General	Capacity	Long term / short term
Characterization	Style	Select from list
Characterization	Sub-style	Select from list
Comments	Punch line	Why is there any interest?
Comments	Nex: Action	"Revisit"
Comments	Meeting/calls	Date, place and people present
Comments	Manager Capital	% of liquid net worth invested
Comments	Investment Objectives	Return and risk target
Comments	Investment Strategy	Brief strategy description
Comments	Portfolio Construction	Brief description
Comments	Investment exposure	Max, min, historical & average
Comments	Leverage	Max, min, historical & average
Comments	Risk Tolerance	Max expected loss
Comments	Risk Management	Main rules
Comments	Strategy/portfolio conclusion	Brief conclusion
Comments	Organisation/structure conclusion	Brief conclusion
Comments	Follow up status justification	Which next steps?
Documents	Documents	Attach all related folders
Follow Up	Tracking status	"Reviewed Level II"
Follow up	Analyst	Analyst name

*Company*

1. Reject

Sheet	Field Label	Data to input
General	Addresses	All details
General	Contacts	Phone, Fax & E-mail

2. Monitor

Sheet	Field Label	Data to input
General	Addresses	All details
General	Contacts	Phone, Fax & E-mail
Comments	Team description	Brief team description
Comments	Company AUM	Total company assets

3. Revisit

Sheet	Field Label	Data to input
General	Addresses	All details
General	Contacts	Phone, Fax & E-mail
Comments	Team description	Brief team description
Comments	Company AUM	Total company assets
Comments	Source	Who do we have the info from
Comments	Inception	Firm inception date

*Individual*

1. Reject

Sheet	Field Label	Data to input
General	Name	First & Last Name
General	Contacts	Phone & E-mail

2. Monitor

The only individual for which anything is needed is the head portfolio manager:

Sheet	Field Label	Data to input
General	Name	First & Last Name
General	Contacts	Phone & E-mail
Comments	Background	Brief background info

3. Revisit

An individual object should be created for each person met, not only the portfolio manager:

Sheet	Field Label	Data to input
General	Name	First & Last Name
General	Contacts	Phone & E-mail
Comments	Background	Background info

d. Data to input for a due diligence

*Investment vehicle*

Sheet	Field Label	Data to input
General	General	Status
General	General	Currency
General	General	Open
General	General	Uses Eq Factors/publishes series
General	General	Registration
General	General	Registration Date
General	General	Inception date
General	General	Fiscal year end
General	General	Management Fee
General	General	Incentive Fee
General	Subscription	Frequency
General	Subscription	Min. Investment
General	Subscription	Entry Fees
General	Subscription	Lockup period
General	Redemption	Frequency
General	Redemption	Notice Period
General	Redemption	Exit Fee
General	Redemption	Penalties (input gate clause)
General	Redemption	Settlement
General	NAV	Frequency
General	NAV	Publisher
General	Capacity	Long term / short term
Characterization	Style	Select from list
Characterization	Sub-style	Select from list
Characterization	Other biases	Fill all list (see below for details)
Comments	Punch line	Why is there any interest?
Comments	Nex: Action	"Reject" or "Invest"
Comments	Meeting/calls	Date, place and people present
Comments	Source	Where we got the idea from

Comments	Manager Capital	% of liquid net worth invested
Comments	Client Base	Fund client base split by category
Comments	Cash holdings	Brokers holding cash/securities
Comments	Retrocessions	Any? / Who? / Why? / What?
Comments	Rebates	Any? / Who? / Why? / What?
Comments	Special liquidity conditions	Any? / Who? / Why? / What?
Comments	Side letters	Any? / Who? / Why? / What?
Comments	Investment Objectives	Return and risk target
Comments	Investment Strategy	Thorough strategy description
Comments	Portfolio Construction	Thorough description
Comments	Risk Factors	All risk factors to the strategy
Comments	Hedging	What is hedged / Which instrument
Comments	Investment exposure	Max, min, historical & average
Comments	Leverage	Max, min, historical & average
Comments	Securities used	Exhaustive list + explanation
Comments	Sector exposure	Max, min, historical & average
Comments	Geographic exposure	Max, min, historical & average
Comments	Turnover	Historical / expected
Comments	Concentration	Max, min, historical & average
Comments	Liquidity rules	Days to liquidate, other rules
Comments	Risk Tolerance	Max expected loss / failure level
Comments	Risk Measurement	All instruments / systems
Comments	Risk Management	Main rules
Comments	Share Capital	According to OM
Comments	Set up costs	Amount & amortization period
Comments	Expenses	Admin, director, custodian, other
Comments	Gate	%, conditions, hard or exit fee, etc.
Comments	Payment in kind	Permitted?
Comments	Signatory power	Who can move cash & conditions
Comments	Transparency	What level, & conditions
Comments	NAV Calculation	Process & responsibility
Comments	Stop Loss	PASA's stop loss on investment
Comments	Portfolio Rationale	Why does the fund fit the portfolio
Comments	Strategy/portfolio conclusion	Brief conclusion
Comments	Organisation/structure conclusion	Brief conclusion
Comments	Follow up status justification	Why classified as such?
Documents	Documents	Attach all related folders
Follow Up	Tracking status	"Reviewed Level III"
Follow up	Analyst	Analyst name

Due diligence information should be entered thoroughly and be as precise as possible, since this is the document that will be used to make an investment decision upon.

In the "Characterisation sheet", the information should be entered as follows:

Category	Meaning (impact on the fund if:)
Equity Market Beta Risk	Equity Market Crashes
Equity Market Volatility Risk	Equity Markets are erratic with high volatility
Bond Market Volatility Risk	Bond Markets are erratic with high volatility
Derivative Market Volatility Risk	Derivative Markets are erratic with high volatility
Commodity Market Volatility Risk	Commodity Markets are erratic with high volatility
Credit Market Volatility Risk	Credit Markets are erratic with high volatility
Currency Market Volatility Risk	Currency Markets are erratic with high volatility
Equity Style exposure risk	Value style sharply underperforms Growth
Concentration risk	Largest position blows up
Momentum exposure risk	Sudden trend reversal occurs
Liquidity Risk	Liquidity dries out
Liquidity providing risk	A sudden flight to quality occurs
Credit risk	Credit Crunch occurs
Vega Risk	Volatility drops unexpectedly
Duration risk	Sharp bond sell off occurs
Yield Curve risk	Sudden change in yield curve shape occurs

Basis Risk	Decorrelation between instrument and related hedge occurs
Correlation Risk	Sudden increase in correlation occurs
Financing Risk	Financing conditions for the fund
Counterparty Risk	Number of counterparties (the more the better) / rating
Organisational Risk	Seniority of organization / rules / nbr of people
Compliance Risk	Compliance rules / dedicated officer
Regulation Risk	Level of regulation by government body
NAV calculation Risk	Dependent vs. independent NAV calculation
Pricing Risk	Liquidity of assets, pricing source availability, manager input
Investor Liquidity Risk	Redemption frequency, lock up, exit fees
Transparency Risk	Level of transparency
Prime Broker Risk	Number of prime brokers (the least the better)
Partnership Structure Risk	Number of partners / checks and balances
Leverage Risk	Level of leverage
Third Parties Risk	Third parties quality

For each of these risk categories, the analyst will have to chose from a scale ranging from -10 to +10, as follows:

-10	very negative
-5	modestly negative
0	neutral
+5	modestly positive
+10	very positive

The documents to be requested for a due diligence, and linked to Cogendi using the document links are the following:

1. Offering Memorandum
2. Subscription agreement
3. Memorandum and articles of association
4. All prior year audits
5. Management agreement (and Investment advisor agreement if relevant)
6. Administration agreement
7. Prime Brokerage agreement
8. Confirmation by the administrator of the Manager's investment in the fund.

#### *Company*

The fields to enter for the management company are the following:

Sheet	Field Label	Data to input
General	Addresses	All details for all different addresses
General	Contacts	Phone, Fax & E-mail
General	Authorizations	List of regulators
Comments	Team description	Thorough team description
Comments	Inception	Firm start date
Comments	Regulation	Which bodies
Comments	Ownership	Ownership structure
Comments	Sub-managers	Does the firm use sub-managers
Comments	Compliance rules	Main compliance rules
Comments	Soft Dollar policy	For which service
Comments	Manager Capital	% of LNW invested in firm's funds
Comments	Company AUM	Total company assets
Comments	Client Base	Firm client base

Next to entering data for the management company, a "Company" object should be created for each service provider to the fund. These must include the administrator, the custodian, the prime broker (if different from the custodian), lawyers, auditors, seeding investor/firm, third party marketing firm, joint venture firm. The fields to enter for these companies are the following:

Sheet	Field Label	Data to input
General	Addresses	All details for all different addresses
General	Contacts	General phone if available

*Individual*

Data should be input in Cogendi for the following individuals working for the management company:

- Portfolio manager
- Analysts
- Traders
- Client service / marketing

Data to input for these persons are the following:

Sheet	Field Label	Data to input
General	Name	First & Last Name
General	Contacts	Phone & E-mail
Comments	Background	Background info
Comments	Reference Check	For portfolio managers only

Next to that, "individual" objects should be created for the following persons:

- Directors of Funds
- Contact person with administrator
- Contact person with auditor
- Contact person with lawyer
- Contact person with custodian
- Contact person with seed investor/firm
- Third party marketer
- Contact person with any joint venture firm
- Reference person

Fields which should be filled are the following:

Sheet	Field Label	Data to input
General	Name	First & Last Name
General	Contacts	Phone & E-mail

e. Data to update on an ongoing basis

As stated below in "Follow up status procedures", all funds will be reviewed on a regular basis. As such, some information will have to be input in the software, reflecting this update.

In the comment sheet, It is of **paramount** importance that no previous data is overwritten by new data. All new data should be added, with the date of the call/meeting next to the previous data, as shown below:

**CNavigator Editor - D. E. Shaw Composite**

General | Characterisation | Comments | Documents | Follow up | Cross-references

**Comments**

Filter on type.... (All Types) ▾ Default Date... 7/1/2003

Type..... up status justification ▾ Date..... 5/9/2003

This Fund is a core position.....

**Same field label...** **...Different update dates**

Type..... up status justification ▾ Date..... 7/1/2003

Due to senior management leaving the firm, the position should be redeemed

ID: DESHAW / Source: Partners

#### Investment vehicle

Data to input for monitoring meetings is the following:

Sheet	Field Label	Data to input
General	General	Open
Comments	Nex: Action	Chose in list on page 2
Comments	Meeting/calls	Date, place and people present
Comments	Investment Strategy	Strategy review
Comments	Investment exposure	Current Investment exposure
Comments	Leverage	Current Leverage
Comments	Sector exposure	Current Sector exposure
Comments	Geographic exposure	Current geographical exposure
Comments	Asset Allocation	Other asset alloc statistics
Comments	Turnover	Turnover over the last year
Comments	Concentration	Current concentration
Comments	Risk Management	Changes to risk management
Comments	Portfolio	Largest positions, size, name
Comments	Outlook	Current manager's outlook
Comments	Performance Analysis	Where did performance come from
Comments	P&L Attribution	Long & short attribution
Comments	Stop Loss	Review of stop loss level
Comments	Portfolio Rationale	Portfolio rationale review
Comments	Strategy/portfolio conclusion	Brief conclusion
Comments	Organisation/structure conclusion	Brief conclusion
Comments	Follow up status justification	Why classified as such
Documents	Documents	Attach all related folders
Follow Up	Tracking status	Chose from list

The list of data to input above is a minimum. Any other relevant data should be added if necessary.

#### Company

Sheet	Field Label	Data to input
Comments	Team description	Update of the team
Comments	Regulation	Any changes
Comments	Ownership	Ownership structure changes
Comments	Manager Capital	% of LNW invested in firm's funds
Comments	Company AUM	Total company assets
Comments	Client Base	Firm client base update

#### Individual

No particular data should be input there, except for new hires. A new "individual" object should be created for new employees, when relevant.

### ii. Linking data

Once different objects have been created for a single fund, these objects must be linked together, using Cogendi's Provider/Recipients structure. In broad terms, Providers will be Service providers, while recipients will be the beneficiaries of the services. As such, the structure is just two faces of the same coin. For example, if you define the relationship between a management company and an investment vehicle, the management company is a provider to the investment vehicle and the investment vehicle is a recipient of the management company.

#### a. Investment Vehicle

##### Providers

When opening the provider window for an investment vehicle, there are two sheets, "specific relationships" and "other relationships":

- Specific relationships: links to the management company and the staff should be initiated, as shown below.

**CNavigator Editor - D. E. Shaw Composite**

Specific Relationships | Other Relationships

**Management Company**

D.E. Shaw & Co. LP  
 ID: DESHAW\_M  
 120 West 45th Street, 39th Floor  
 New York  
 New York  
 10036  
 U.S.A.  
 +1 (212) 478 08 13  
 +1 (212) 845 18 13  
 fishman@deshaw.com  
 www.deshaw.com

**Staff**

Eric Wensie  
 Function: Portfolio Manager  
 Department:  
 Title:  
 Cedimir Crnkovic  
 Function: Portfolio Manager  
 Department:  
 Title:  
 Eddie Fishman  
 Function: Client Service  
 Department: Client Service  
 Title:  
 +1 (212) 478 08 13  
 fishman@deshaw.com  
 +1 (212) 845 18 13

ID: DESHAW / Source: Partners



- Other relationships: on this sheet, links to all other providers should be listed, with the role played by these providers. A non exhaustive list of providers to the investment vehicle is as follows (including role and category):

Category	Role
Business	Administrator
Business	Custodian
Business	Prime Broker
Business	Lawyer
Business	Auditor
Business	Third Party Marketer
Business	Seed Investor
Board of Directors	Director

#### *Recipients*

There are three cases where the fund will have recipients:

- Seed Investors: although they are providers to the fund (provide seed capital), they are also recipients (benefit from the fund's performance).
- Investors: when a specific investor is known, it should be added to the list of recipients
- Series: series of shares, or special classes of shares (see below quantitative data input for more details) should be added to recipients of the fund.

In summary, recipients will be as follows (including role and category):

Category	Role
Business	Seed Investor
Customer	Investor
Serie	Class
Serie	Serie

#### b. Company

##### *Providers*

Providers to the company will be as follows:

Category	Role
Business	Consultant
Business	Strategic Partner
Employee	All relevant roles

##### *Recipients*

The recipient of the different companies will generally always be an investment vehicle. Relevant roles and categories are described above under "Investment Vehicle; Providers".

#### c. Individuals

##### *Providers*

Only reference persons will act as providers for individuals:

Category	Role
Business	Reference



### *Recipients*

Recipients for individual objects will be investment vehicles and companies, as stated above in "Company; providers" and "Investment Vehicle; providers".

## **B. QUANTITATIVE DATA INPUT**

---

### *i. Track Record*

#### a. Active Funds

##### *Creation of Series/Classes*

For active funds where we hold several series/classes, a "serie" object should be created in Cogendi. This Object should include the name of the fund, the name of the serie/class and the denomination currency, as follows:

**Object Insertion**

GID : ..... DESHAW\_A1

Name : ..... D.E. Shaw Composite Class A Serie 1

Short Name : ... DE Shaw Class A1

Code Name : ... Multi-process - Quantitative Strategie

Source : ..... Partners

Object Type : ... Series

Currency : ..... US Dollar

The GID should always start with the same GID as for the Investment Vehicle Object, followed by underscore, class and serie (in this order, as in the example above). Code name should be the same as for the fund.

##### *Track record Input*

The main rules in terms of track record input for active fund are the following:

1. Always input NAVs instead of performances when possible
2. Input both weekly and monthly NAVs/performances (when weekly numbers are available)

When a fund has different classes (which are of interest to an analyst) or different series of shares, or an onshore counterpart which started prior to the offshore, each of these track record must be separated. As stated above, a series object will be created for each serie/class/onshore fund where the information is relevant.

The **Investment Vehicle Object** should include the "benchmark" track record, i.e. the longest one (or serie 1, or Class A generally), for the offshore fund. Each other track record should be entered in a separate **Series Object**.

The process to update NAVs is as follows (open the CQuant Editor):

9. Save      8. Recalculate performance      3. Select update date

2. Select Fund/Serie from the list      1. Upload object list

6. Select Edit Mode

7. Input NAV (mark if confirmed)

4. Point cursor to the last NAV line

5. Add one line to the table

Date	RoR	NAV	Confirmed?	
4/30/2002	1.10 %	12/31/2002	14172	<input type="checkbox"/>
5/31/2002	2.20 %	1/31/2003	14243	<input type="checkbox"/>
6/30/2002	4.20 %	2/28/2003	14513	<input type="checkbox"/>
7/31/2002	5.30 %	3/31/2003	14281	<input type="checkbox"/>
8/31/2002	-0.20 %	4/30/2003	14715	<input type="checkbox"/>
9/30/2002	1.90 %	5/31/2003	15049	<input type="checkbox"/>
10/31/2002	1.30 %			
11/30/2002	-0.90 %			
12/31/2002	2.20 %			
1/31/2003	0.50 %			
2/28/2003	1.90 %			
3/31/2003	-1.60 %			
4/30/2003	3.04 %			
5/31/2003	2.27 %			

Date	AUM	NAV
1/31/2003	3,000.00	

As series have relatively short lives, it is important that they are linked to the principal track record. Similarly, offshore funds might have shorter track records than onshore funds, and linking the two, allowing analysis to be done on the longest possible track record is important.

This can be done using the synthetic builder function. The synthetic builder is located in the CNavigator Editor, after selecting Quantitative Data. The process is the following:

Series :	Frequency :	Weight :	From :	To :
D. E. Shaw Composite (DESHAW)	Monthly	100.00%		
	Monthly			

ID: DESHAW / Source: Partners

Several different synthetic funds can be used to get the longest possible track record. In this case, weight should always be 100%, since a serie is replaced by the underlying fund. Moreover, the dates to use for the synthetic fund analysis should be input in the software. Generally these will be from the launch of the synthetic to the start of the relevant serie.

Similarly, Benchmarks should be chosen for each fund/serie, in "CNavigator Editor, Quantitative Data", on sheet 3. At least 1 benchmark should be chosen for each fund.

#### b. Radar Screen, passive and competing funds

The process for radar screen, competition and passive funds will be similar to the process used with PerTrac. No separate series will be used for offshore/onshore track records, nor for different share classes. Moreover, updates should be done on a monthly basis (weekly not necessary) using NAVs if possible or performances otherwise.

#### d. Indices

For indices, the NAV (actual price of index) should be entered in the database on a weekly basis, following the steps described on page 18.

### ***iv. Assets under management***

#### a. Active Funds

For active Funds the level of assets under management (quantitative information to be found in CQuant Editor) should be updated after each call/visit, but no less than every quarter.

b. Radar Screen & passive funds

For Radar Screen and passive funds the level of AUM should be updated after each contact with the manager.

## **C. DATA MAINTENANCE**

---

***i. Series consolidation***

Since 12 Series can be issued every year for each fund (using this accounting method), it is important to collapse the series into each other at the end of every fiscal year. In practice, this just implies deleting the relevant serie object from the database once the serie transferred.

***ii Estimated/ final NAVs***

While estimated weekly and month end NAVs should be input in the system as soon as they are received, each responsible analyst should also enter final NAVs when they become available. They should then hit the confirmed button.

## **D. FOLLOW UP STATUS PROCEDURES**

---

***i. Status Definition***

Status definition as used in Cogendi are the following:

<b>Status</b>	<b>Definition</b>
To Review	Name given by a peer, no meeting done yet
Reviewed Level I	First meeting done, Fund not rejected
Reviewed Level II	First or Second meeting done, Fund on Radar Screen
Reviewed Level III	Due Diligence done, waiting for investment
Active Level I	Farm team position
Active Level II	Intermediate position
Active Level III	Core position
Active Alarm Level I	Fund is close or hit the stop loss level
Active Alarm Level II	Fund exceeded the stop loss, any other issue which warrants immediate action.
Redeemed	Fund redeemed
Rejected	Fund rejected

***ii. Contact Frequency***

***iii. Manager short list***

***iv. Manager priority list***

## **E. USE OF EXCEL SHEETS LINKED TO COGENDI**

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# **Exhibit 5**

**A.R.T. - ABSOLUTE RETURN TARGET FUND**

**Société d'Investissement à Capital Variable**

**ABBREVIATED AUDITED  
ANNUAL REPORT AS AT  
DECEMBER 31, 2002**

Subscriptions cannot be received on the basis of financial reports. Subscriptions are valid only if made on the basis of the current prospectus, supplemented by the last annual report and the most recent semi-annual report if published thereafter.

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## **DIRECTORS AND ADMINISTRATION**

### **BOARD OF DIRECTORS**

#### **CHAIRMAN**

Mr Luc Estenne  
Director of Partners Advisers S.A.  
Geneva, Switzerland

#### **DIRECTORS**

Mr Hugues Janssens van der Maelen  
Director of Trendtrust S.A.  
Geneva, Switzerland

Mr Andrea Manghi  
Director of Trendtrust S.A.  
Geneva, Switzerland

Mr Peter H. Fletcher (until June 24, 2002)  
Geneva, Switzerland

Mr Edward de Burlet  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Geoffroy Linard de Guertechin  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Benoît de Hults  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Serge Muller  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Guy Verhoustraeten  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

#### **INVESTMENT ADVISER AND PRINCIPAL DISTRIBUTOR**

TT PARTNERS LTD  
The Huntlaw Building  
75 Fort Street  
P.O. Box 1350 George Town  
Grand Cayman, Cayman Islands

#### **CUSTODIAN BANK, REGISTRAR AND TRANSFER AGENT, DOMICILIARY, ADMINISTRATIVE, PAYING AND LISTING AGENT**

Banque Privée Edmond de Rothschild Luxembourg  
20, Boulevard Emmanuel Servais  
L-2535 Luxembourg

#### **AUDITORS**

ERNST & YOUNG S.A.  
6 rue Jean Monnet  
L-2180 Luxembourg



**DIRECTORS AND ADMINISTRATION (continued)**

**REGISTERED OFFICE**

Banque Privée Edmond de Rothschild Luxembourg  
20, Boulevard Emmanuel Servais  
L-2535 Luxembourg

**CO-SPONSORS**

PARTNERS ADVISERS S.A.  
12 rue François Bonivard  
CH-1201 GENEVA

TRENDTRUST S.A.  
3 rue du Mont-Blanc  
CH-1201 GENEVA

## INFORMATION TO THE SHAREHOLDERS

Notices concerning the Fund are published in newspapers designated by the Board of Directors and, if prescribed by law, are published in the Mémorial, the official gazette of Luxembourg, and are lodged with the Registrar of the Luxembourg District Court.

The current Articles of Incorporation of the Fund are lodged with the Registrar of the Luxembourg District Court, from whom copies may be obtained.

The issue price and the redemption price of the Fund shares are made public at the Registered Office of the Fund, where annual and semi-annual reports may be obtained.

The shares of the Sub-Funds are listed on the Luxembourg Stock Exchange.

## NET ASSET VALUE PER SHARE

The Net Asset Value per share of ABSOLUTE RETURN TARGET FUND (the "Fund") is dated at the last calendar day of each month ("Valuation Date") (i.e. apart from the legal or bank holidays, for which the Valuation Date is the preceding business day) under the responsibility of the Fund's Board of Directors. However, considering the delay for the reception of the NAVs of the target funds, the NAV of the Fund is calculated within 21 calendar days of the following month.

The valuation per share as at December 31, 2002 was:

USD	105,726.75	For the A.R.T. - ABSOLUTE RETURN TARGET FUND - Class A Diversified
USD	108,921.84	For the A.R.T. - ABSOLUTE RETURN TARGET FUND - Class B Arbitrage
USD	100,558.38	For the A.R.T. - ABSOLUTE RETURN TARGET FUND - Class C Diversified

## REPORT ON THE ACTIVITIES OF THE FUND\*

### A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified

#### Hedge Fund Industry Review

##### Arbitrage sub-portfolio

Year 2002 saw an acceleration of the downward trend in global equity and credit markets, amid weakening world economies and geopolitical tensions. This didn't leave hedge funds unaffected and many strategies/funds ended the year down.

While the past year was mediocre in terms of hedge fund returns, it was a vintage year in terms of asset gathering for many hedge fund players. As those vehicles became more familiar to many investors, especially institutional players like insurance companies and pension funds, the allocations increased dramatically. This had several implications for the Arbitrage sub-portfolio:

- Returns for Arbitrage strategies came down: next to low interest rates, which already put a drag on returns, large sums of money chasing scarce opportunities pushed many inefficiencies to close, lowering returns on some strategies.
- Mainstream strategies didn't work well anymore: many "classical" hedge fund strategies, including merger arbitrage, statistical arbitrage, convertible arbitrage had poor years. Not only did inefficiencies disappear, but the relative importance of hedge funds as market players caused higher trading in markets and price dislocations. Convertible Arbitrage funds were able to post decent returns, mainly because they shifted their asset allocation from volatility trading to credit trading. The risk/reward trade off of the strategy has changed accordingly, and most of them now face important credit risk.

There are four measures the Investment Advisor took to avoid being caught in this trap:

- Invest with smaller, more nimble managers in niche strategies, where inefficiencies remain.
- Invest in some funds which are long the tails, i.e. which would perform well in a crisis environment.
- Add pure protection to the portfolio, by holding a small allocation to short sellers, benefiting from market declines
- Increase overall portfolio diversification, and reduce individual position size.

##### Investing sub-portfolio

Investing strategies had a very hard time in 2002, showing that Hedge Funds are able to protect capital in bear markets, but have difficulty achieving attractive returns. Equity strategies in particular showed very correlated to the broader market and ended the year down (as measured by the different hedge fund indices). The reasons for this bad performance are the following:

- A vast majority of L/S equity funds use fundamental analysis to pick stocks. In a bear market as the one seen last year, this investment methodology doesn't work. Markets tended to react much more to technicals and sentiments than to fundamental values. Most L/S equity managers failed to take this into account.
- Institutional investors fled equity markets during 2002, sharply reducing liquidity. Hedge fund tend to add a lot of value by trading against institutional investors, which wasn't possible in 2002. Moreover the number of hedge funds and assets in the industry increased sharply. As such, hedge funds were more and more trading against each other. Over the long run, this is a zero sum game.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified (continued)**

The investment advisor has taken the following steps to avoid being hurt by badly performing L/S equity managers:

- Invest with managers taking a more flexible approach, being able to trade based on technicals and sentiment, next to fundamentals.
- Add managers with lower net exposure, or who are able to go net short on some occasions.
- Reduce the allocation of the portfolio to L/S equity managers as a group.

### **Performance review**

#### Arbitrage sub-portfolio

The performance of the Arbitrage part of the portfolio has been disappointing in 2002. This counter-performance can be explained by exogenous factors and portfolio related factors:

#### *Exogenous Factors*

- A continuing bear market, coupled with sharp swings, reversals and high volatility made it difficult for Arbitrage strategies as a whole to make money. Arbitrage strategies are typically trying to capture inefficiencies, which is much easier to do in rational and benign markets.
- As stated above, institutional involvement and the amount of money flowing to hedge funds arbitrated away part of the opportunities.

As a result, the returns from Arbitrage strategies (as measured by various indices) in 2002 was around 2% to 3%.

#### *Sub-portfolio specific factors*

- The arbitrage sub-portfolio entered the summer with a heavy credit allocation. This was mainly due to the Investment Advisor's belief that with spreads at high levels and an stabilizing economy, this asset class should do well. Unfortunately, June and July proved that this tilt had been made too early, with credit market selling off very hard.
- A small allocation to Bristol, the fund run by Beacon Hill had a major impact in September, when the fund blew up, costing 2% of NAV. A serious due diligence had been made on the fund prior to investment. The advisor believes that such blow ups cannot be avoided all the time, but merely limited by sizing correctly positions and by limiting the number of funds with fat tails in the portfolio.

Portfolio adjustment and reshuffling after September helped turn the performance around and the sub-portfolio ended the year on a strong note. The Investment Advisor thinks that the arbitrage component in the portfolio is well positioned to take advantage of the volatile markets in 2003.

#### Investing sub-portfolio

The performance of the Investing sub-portfolio has been in line with its stated objectives, i.e. breaking even in a bear market. The factors which affected performance are the following:

#### *Exogenous Factors*

- As stated above, an accelerating bear market, with high levels of volatility and sharp market reversals made it difficult for fundamental L/S equity managers to make any money in 2002.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified (continued)**

#### *Sub-portfolio specific factors*

- A heavy allocation to L/S equity managers put a drag on performance in 2002. Macro and CTA strategies had an outstanding year, and those were underweighted in the portfolio.
- Among L/S equity managers in the Investing sub-portfolio, few were flexible enough to take advantage of falling markets. Most of them stuck to their investment style and remained net long throughout the year.

Portfolio adjustment and reshuffling after September helped turn the performance around and the investing sub-portfolio ended the year on a strong note as well.

#### **Asset Allocation Review**

##### Arbitrage sub-portfolio

Asset allocation has moved away from credit strategies towards fixed income relative value and macro during the course of the year. This reflected the change in the imbalances between a heavy distressed securities allocation and an almost inexistent macro/relative value weight. Accordingly, the sub-portfolio is much better structured now, with a good diversification among uncorrelated strategies.

At the sub-portfolio level, number of funds was increased and position size reduced, to limit individual position risk. Moreover, at the end of the year most funds in the sub-portfolio fall in the following two groups:

- Small, nimble and opportunistic funds, pursuing niche strategies and running a relatively small amount of assets
- Large, established and successful groups, which have proven in the past that they were able to achieve nice returns and limit risks.

While the latter group are usually closed to new investments, the Investment Advisor was able to get allocations to some of them, further improving arbitrage sub-portfolio structure.

##### Investing sub-portfolio

Equity strategies have been reduced in the investing sub-portfolio and macro/CTA strategies have been increased. This is a correction from imbalances in the portfolio during the first part of the year. At this point, the sub-portfolio is well structured between equities, fixed income and commodities, and has a market beta close to zero. Moreover, distribution tails are protected from any extreme environment (including a sharp sell off or a sharp bear market rally).

At the underlying sub-portfolio level, there has been more turnover than originally expected, which was due to redemptions of disappointing long/short equity managers, which were replaced by more nimble and opportunistic funds. The mortality rate in long/short equity funds has been very high and this type of turnover is expected to continue as long as the market behaves in such a hectic way.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified (continued)**

#### **Outlook**

The Investment Advisor believes that the fund is well positioned to benefit from the markets in 2003. The fund has been structured to benefit from both a growing or weakening economy as well as from a positive or negative geopolitical outcome.

The portfolio has also been changed to avoid strategies which opportunities have been arbitrated away, and which returns are likely going to be low in the next couple of years.

Finally, to respond to irrational and volatile markets, a range of funds performing particularly well in this type of environment have been added to the portfolio.

Should market remain choppy, A.R.T. Absolute Return Target Fund Class A should be able to achieve returns in the 5% to 7% range next year. However, should markets return to some kind of normalcy, the portfolio could return more than the above range.

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class B Arbitrage**

#### **Hedge Fund Industry Review**

Year 2002 saw an acceleration of the downward trend in global equity and credit markets, amid weakening world economies and geopolitical tensions. This didn't leave hedge funds unaffected and many strategies/funds ended the year down.

While the past year was mediocre in terms of hedge fund returns, it was a vintage year in terms of asset gathering for many hedge fund players. As those vehicles became more familiar to many investors, especially institutional players like insurance companies and pension funds, the allocations increased dramatically. This had several implications for A.R.T. Absolute Return Target Fund Class B:

- Returns for Arbitrage strategies came down: next to low interest rates, which already put a drag on returns, large sums of money chasing scarce opportunities pushed many inefficiencies to close, lowering returns on some strategies.
- Mainstream strategies didn't work well anymore: many "classical" hedge fund strategies, including merger arbitrage, statistical arbitrage, convertible arbitrage had poor years. Not only did inefficiencies disappear, but the relative importance of hedge funds as market players caused higher trading in markets and price dislocations. Convertible Arbitrage funds were able to post decent returns, mainly because they shifted their asset allocation from volatility trading to credit trading. The risk/reward trade off of the strategy has changed accordingly, and most of them now face important credit risk.

There are four measures the Investment Advisor took to avoid being caught in this trap:

- Invest with smaller, more nimble managers in niche strategies, where inefficiencies remain.
- Invest in some funds which are long the tails, i.e. which would perform well in a crisis environment.
- Add pure protection to the portfolio, by holding a small allocation to short sellers, benefiting from market declines
- Increase overall portfolio diversification, and reduce individual position size.

#### **Performance review**

The performance of A.R.T. Absolute Return Target Fund Class B has been disappointing in 2002. This counter-performance can be explained by exogenous factors and portfolio related factors:

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class B Arbitrage (continued)**

#### *Exogenous Factors*

- A continuing bear market, coupled with sharp swings, reversals and high volatility made it difficult for Arbitrage strategies as a whole to make money. Arbitrage strategies are typically trying to capture inefficiencies, which is much easier to do in rational and benign markets.
- As stated above, institutional involvement and the amount of money flowing to hedge funds arbitrated away part of the opportunities.

As a result, the returns from Arbitrage strategies (as measured by several hedge fund indices) in 2002 was around 2% to 3%.

#### *Portfolio specific factors*

- The fund entered the summer with a heavy credit allocation. This was mainly due to the Investment Advisor's belief that with spreads at high levels and an stabilizing economy, this asset class should do well. Unfortunately, June and July proved that this tilt had been made too early, with credit market selling off very hard.
- A small allocation to Bristol, the fund run by Beacon Hill had a major impact in September, when the fund blew up, costing 2% of NAV. A serious due diligence had been made on the fund prior to investment. The advisor believes that such blow ups cannot be avoided all the time, but merely limited by sizing correctly positions and by limiting the number of funds with fat tails in the portfolio.

Portfolio adjustment and reshuffling after September helped turn the performance around and the fund ended the year on a strong note. The Investment Advisor thinks that the fund is well positioned to take advantage of the volatile markets in 2003.

### **Asset Allocation Review**

Asset allocation has moved away from credit strategies towards fixed income relative value and macro during the course of the year. This reflected the change in the imbalances between a heavy distressed securities allocation and an almost inexistent macro/relative value weight. Accordingly, the portfolio is much better structured now, with a good diversification among uncorrelated strategies.

At the fund level, number of funds was increased and position size reduced, to limit individual position risk. Moreover, at the end of the year most funds in the portfolio fall in the following two groups:

- Small, nimble and opportunistic funds, pursuing niche strategies and running a relatively small amount of assets
- Large, established and successful groups, which have proven in the past that they were able to achieve nice returns and limit risks.

While the latter group are usually closed to new investments, the Investment Advisor was able to get allocations to some of them, further improving portfolio structure.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class B Arbitrage (continued)**

#### **Outlook**

The Investment Advisor believes that the fund is well positioned to benefit from the markets in 2003. The fund has been structured to benefit from both a growing or weakening economy as well as from a positive or negative geopolitical outcome.

The portfolio has also been changed to avoid strategies which opportunities have been arbitrated away, and which returns are likely going to be low in the next couple of years.

Finally, to respond to irrational and volatile markets, a range of funds performing particularly well in this type of environment have been added to the portfolio.

Should market remain choppy, the A.R.T. Absolute Return Target Fund Class B should be able to achieve returns in the 5% to 7% range next year. However, should markets return to some kind of normalcy, the portfolio could return more than the above range.

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified**

#### **Hedge Fund Industry Review**

##### Arbitrage sub-portfolio

Year 2002 saw an acceleration of the downward trend in global equity and credit markets, amid weakening world economies and geopolitical tensions. This didn't leave hedge funds unaffected and many strategies/funds ended the year down.

While the past year was mediocre in terms of hedge fund returns, it was a vintage year in terms of asset gathering for many hedge fund players. As those vehicles became more familiar to many investors, especially institutional players like insurance companies and pension funds, the allocations increased dramatically. This had several implications for the Arbitrage sub-portfolio:

- Returns for Arbitrage strategies came down: next to low interest rates, which already put a drag on returns, large sums of money chasing scarce opportunities pushed many inefficiencies to close, lowering returns on some strategies.
- Mainstream strategies didn't work well anymore: many "classical" hedge fund strategies, including merger arbitrage, statistical arbitrage, convertible arbitrage had poor years. Not only did inefficiencies disappear, but the relative importance of hedge funds as market players caused higher trading in markets and price dislocations. Convertible Arbitrage funds were able to post decent returns, mainly because they shifted their asset allocation from volatility trading to credit trading. The risk/reward trade off of the strategy has changed accordingly, and most of them now face important credit risk.

There are four measures the Investment Advisor took to avoid being caught in this trap:

- Invest with smaller, more nimble managers in niche strategies, where inefficiencies remain.
- Invest in some funds which are long the tails, i.e. which would perform well in a crisis environment.
- Add pure protection to the portfolio, by holding a small allocation to short sellers, benefiting from market declines
- Increase overall portfolio diversification, and reduce individual position size.



## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified (continued)**

#### Investing sub-portfolio

Investing strategies had a very hard time in 2002, showing that Hedge Funds are able to protect capital in bear markets, but have difficulty achieving attractive returns. Equity strategies in particular showed very correlated to the broader market and ended the year down (as measured by the different hedge fund indices). The reasons for this bad performance are the following:

- A vast majority of L/S equity funds use fundamental analysis to pick stocks. In a bear market as the one seen last year, this investment methodology doesn't work. Markets tended to react much more to technicals and sentiments than to fundamental values. Most L/S equity managers failed to take this into account.
- Institutional investors fled equity markets during 2002, sharply reducing liquidity. Hedge fund tend to add a lot of value by trading against institutional investors, which wasn't possible in 2002. Moreover the number of hedge funds and assets in the industry increased sharply. As such, hedge funds were more and more trading against each other. Over the long run, this is a zero sum game.

The investment advisor has taken the following steps to avoid being hurt by badly performing L/S equity managers:

- Invest with managers taking a more flexible approach, being able to trade based on technicals and sentiment, next to fundamentals.
- Add managers with lower net exposure, or who are able to go net short on some occasions.
- Reduce the allocation of the portfolio to L/S equity managers as a group.

#### **Performance review**

#### Arbitrage sub-portfolio

The performance of the Arbitrage part of the portfolio has been disappointing in 2002. This counter-performance can be explained by exogenous factors and portfolio related factors:

#### *Exogenous Factors*

- A continuing bear market, coupled with sharp swings, reversals and high volatility made it difficult for Arbitrage strategies as a whole to make money. Arbitrage strategies are typically trying to capture inefficiencies, which is much easier to do in rational and benign markets.
- As stated above, institutional involvement and the amount of money flowing to hedge funds arbitrated away part of the opportunities.

As a result, the returns from Arbitrage strategies (as measured by various indices) in 2002 was around 2% to 3%.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified (continued)**

#### *Sub-portfolio specific factors*

- The arbitrage sub-portfolio entered the summer with a heavy credit allocation. This was mainly due to the Investment Advisor's belief that with spreads at high levels and an stabilizing economy, this asset class should do well. Unfortunately, June and July proved that this tilt had been made too early, with credit market selling off very hard.
- A small allocation to Bristol, the fund run by Beacon Hill had a major impact in September, when the fund blew up, costing 2% of NAV. A serious due diligence had been made on the fund prior to investment. The advisor believes that such blow ups cannot be avoided all the time, but merely limited by sizing correctly positions and by limiting the number of funds with fat tails in the portfolio.

Portfolio adjustment and reshuffling after September helped turn the performance around and the sub-portfolio ended the year on a strong note. The Investment Advisor thinks that the arbitrage component in the portfolio is well positioned to take advantage of the volatile markets in 2003.

#### Investing sub-portfolio

The performance of the Investing sub-portfolio has been in line with its stated objectives, i.e. breaking even in a bear market. The factors which affected performance are the following:

#### *Exogenous Factors*

- As stated above, an accelerating bear market, with high levels of volatility and sharp market reversals made it difficult for fundamental L/S equity managers to make any money in 2002.

#### *Sub-portfolio specific factors*

- A heavy allocation to L/S equity managers put a drag on performance in 2002. Macro and CTA strategies had an outstanding year, and those were underweighted in the portfolio.
- Among L/S equity managers in the Investing sub-portfolio, few were flexible enough to take advantage of falling markets. Most of them stuck to their investment style and remained net long throughout the year.

Portfolio adjustment and reshuffling after September helped turn the performance around and the investing sub-portfolio ended the year on a strong note as well.

### **Asset Allocation Review**

#### Arbitrage sub-portfolio

Asset allocation has moved away from credit strategies towards fixed income relative value and macro during the course of the year. This reflected the change in the imbalances between a heavy distressed securities allocation and an almost inexistent macro/relative value weight. Accordingly, the sub-portfolio is much better structured now, with a good diversification among uncorrelated strategies.

At the sub-portfolio level, number of funds was increased and position size reduced, to limit individual position risk. Moreover, at the end of the year most funds in the sub-portfolio fall in the following two groups:

- Small, nimble and opportunistic funds, pursuing niche strategies and running a relatively small amount of assets
- Large, established and successful groups, which have proven in the past that they were able to achieve nice returns and limit risks.

**REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

**A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified (continued)**

While the latter group are usually closed to new investments, the Investment Advisor was able to get allocations to some of them, further improving arbitrage sub-portfolio structure.

Investing sub-portfolio

Equity strategies have been reduced in the investing sub-portfolio and macro/CTA strategies have been increased. This is a correction from imbalances in the portfolio during the first part of the year. At this point, the sub-portfolio is well structured between equities, fixed income and commodities, and has a market beta close to zero. Moreover, distribution tails are protected from any extreme environment (including a sharp sell off or a sharp bear market rally).

At the underlying sub-portfolio level, there has been more turnover than originally expected, which was due to redemptions of disappointing long/short equity managers, which were replaced by more nimble and opportunistic funds. The mortality rate in long/short equity funds has been very high and this type of turnover is expected to continue as long as the market behaves in such a hectic way.

**Outlook**

The Investment Advisor believes that the fund is well positioned to benefit from the markets in 2003. The fund has been structured to benefit from both a growing or weakening economy as well as from a positive or negative geopolitical outcome.

The portfolio has also been changed to avoid strategies which opportunities have been arbitrated away, and which returns are likely going to be low in the next couple of years.

Finally, to respond to irrational and volatile markets, a range of funds performing particularly well in this type of environment have been added to the portfolio.

Should market remain choppy, A.R.T. Absolute Return Target Fund Class C should be able to achieve returns in the 5% to 7% range next year. However, should markets return to some kind of normalcy, the portfolio could return more than the above range.

Since the close of the fiscal year, any significant development has been included in the documents presented to the Shareholders.

In reference to the foreseeable developments of the Company, we shall continue, as in the past, to ensure that the Company's business grows in a satisfactory manner while being aware of the opportunities which may arise.

April 11, 2003  
A.R.T. - ABSOLUTE RETURN TARGET FUND  
FUND OF FUNDS

\* Indications and comparisons are historical and are not necessarily an indication of future results.

## AUDITOR'S REPORT

To the shareholders of  
A.R.T. - ABSOLUTE RETURN TARGET FUND  
(Société d'Investissement à Capital Variable):

We have audited the financial statements, which consist of the statement of net assets, the statement of changes in net assets, the statement of investments in securities and other net assets and the notes to the financial statements of A.R.T. - ABSOLUTE RETURN TARGET FUND (Société d'Investissement à Capital Variable) and each of its Sub-Funds for the year ended December 31, 2002. These financial statements are the responsibility of the Board of Directors of the SICAV. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors of the SICAV in preparing the financial statements, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached financial statements described above give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the financial position of A.R.T. - ABSOLUTE RETURN TARGET FUND (Société d'Investissement à Capital Variable) and each of its Sub-Funds at December 31, 2002 and the results of its operations and changes in its net assets for the year then ended.

As discussed in Note 2c, being a "fund of funds", the financial statements of A.R.T. - ABSOLUTE RETURN TARGET FUND include investments in funds and investments in partnerships valued at December 31, 2002 at USD 90,462,356.08 (100.00% of investments) whose values have been determined under the responsibility of the Board of Directors based on valuations communicated by these other funds and partnerships in the absence of readily ascertainable market values obtainable from independent sources. We have reviewed the procedures used by the Board of Directors in arriving at their estimate of value of such investments and have inspected the underlying documentation, and in the circumstances we believe the procedures are reasonable and the documentation appropriate.

Supplementary information included in the annual report (such as the report on the activities of the Fund, the statements of statistical information, the statements of geographical and economic classifications of the investment in securities and the statements of changes in the number of shares, of net assets and of net asset value per share) has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. We have no observations to make concerning such information in the context of the financial statements taken as a whole.

ERNST & YOUNG  
Société Anonyme  
Independent Auditors

Bernard LHOEST

Luxembourg  
April 11, 2003

# **COMBINED STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

## **ASSETS**

Portfolio:	(note 2)	
- Cost		87,451,182.65
- Net unrealised result		3,011,173.43
		<b>90,462,356.08</b>

Other assets:		
- Debtors for investments sold		567,937.34
- Equalization amounts receivable	(note 6)	139,329.59
- Formation/reorganisation expenses, net	(note 2)	18,505.41
		<b>91,188,128.42</b>

## **LIABILITIES**

Bank overdraft:	(note 7)	
- Cash at sight		17,599,383.67

Other liabilities:		
- Taxes and expenses payable		322,448.41
- Sundry creditors	(note 8)	881,274.67
		<b>18,803,106.75</b>

<b>NET ASSETS</b>		<b>72,385,021.67</b>
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The notes are an integral part of these financial statements

**COMBINED STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

**INCOME**

Commissions on redemption of shares	8.17
	<b>8.17</b>

**EXPENSES**

Bank interest, net	139,663.98
Fees:	
- Investment advisory fee (note 4)	795,448.39
- Custodian fee and safekeeping charges	224,451.02
Other expenses:	
- Annual tax (note 5)	25,618.10
- Amortisation of formation/reorganisation expenses (note 2)	4,476.00
- Audit and legal fees	25,239.00
- Printing and publishing fees	1,833.84
- Administration and other expenses	14,725.64
	<b>1,231,455.97</b>

**NET RESULT ON INVESTMENTS (1,231,447.80)**

Net realised result on:	
- Sales of investments (note 2)	871,282.05

**NET REALISED RESULT (360,165.75)**

Change in net unrealised appreciation/(depreciation) on:	
- Investments	109,067.15

**NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS (251,098.60)**

The notes are an integral part of these financial statements

# STATEMENT OF NET ASSETS

December 31, 2002

(in USD)

## ASSETS

Portfolio:	(note 2)	
- Cost		26,007,068.86
- Net unrealised result		831,388.16
		<b>26,838,457.02</b>

Other assets:		
- Debtors for investments sold		252,507.31
- Equalization amounts receivable	(note 6)	29,691.07
- Formation/reorganisation expenses, net	(note 2)	5,966.11
		<b>27,126,621.51</b>

## LIABILITIES

Bankoverdraft:		
- Cash at sight	(note 7)	5,012,636.24
Other liabilities:		
- Taxes and expenses payable		30,916.33
- Sundry creditors	(note 8)	134,298.30
		<b>5,177,850.87</b>

<b>NET ASSETS</b>		<b>21,948,770.64</b>
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<b>Net asset value per share</b>		<b>105,726.75</b>
<b>Shares outstanding</b>		<b>207.59903</b>

The notes are an integral part of these financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>21,412,487.89</b>
<b>INCOME</b>	
Commissions on redemption of shares	3.10
	<b>3.10</b>
<b>EXPENSES</b>	
Bank interest, net	50,080.88
Fees:	
- Custodian fee and safekeeping charges	72,035.89
Other expenses:	
- Annual tax (note 5)	2,160.94
- Amortisation of formation/reorganisation expenses (note 2)	1,546.00
- Audit and legal fees	7,393.59
- Printing and publishing fees	638.71
- Administration and other expenses	4,623.35
	<b>138,479.36</b>
<b>NET RESULT ON INVESTMENTS</b>	<b>(138,476.26)</b>
Net realised result on:	
- Sales of investments (note 2)	147,083.30
<b>NET REALISED RESULT</b>	<b>8,607.04</b>
Change in net unrealised appreciation/(depreciation) on:	
- Investments	(46,973.91)
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>(38,366.87)</b>
<b>MOVEMENTS IN CAPITAL</b>	
Subscriptions of shares	1,149,999.20
Redemptions of shares	(575,349.58)
	<b>574,649.62</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>21,948,770.64</b>

The notes are an integral part of these financial statements



**STATISTICAL INFORMATION**  
Year ended December 31, 2002

**SHARES**

Shares outstanding at the beginning of the year	202.23134
Subscriptions of shares	10.94969
Redemptions of shares	(5.58200)
<b>Shares outstanding at the end of the year</b>	<b>207.59903</b>

**NET ASSET VALUE PER SHARE**

USD

Highest	107,375.43 (05.31.02)
Lowest	102,642.93 (10.31.02)
At the end of the year	105,726.75

**CHANGES IN THE NUMBER OF SHARES,  
OF NET ASSETS AND  
OF NET ASSET VALUE PER SHARE**

Date	Number of shares outstanding	Net assets (in USD)	Net asset value per share (in USD)
* 12.27.00	161.20000	16,120,000.00	100,000.00
12.31.01	202.23134	21,412,487.89	105,881.16
12.31.02	207.59903	21,948,770.64	105,726.75

\* first valuation

**STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

**ASSETS**

Portfolio:	(note 2)	
- Cost		43,975,095.34
- Net unrealised result		1,621,439.95
		<b>45,596,535.29</b>

Other assets:		
- Debtors for investments sold		145,786.08
- Equalization amounts receivable	(note 6)	89,699.77
- Formation/reorganisation expenses, net	(note 2)	8,249.02
		<b>45,840,270.16</b>

**LIABILITIES**

Bank overdraft:		
- Cash at sight	(note 7)	9,219,817.81
Other liabilities:		
- Taxes and expenses payable		204,951.60
- Sundry creditors	(note 8)	656,808.47
		<b>10,081,577.88</b>

<b>NET ASSETS</b>		<b>35,758,692.28</b>
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<b>Net asset value per share</b>		<b>108,921.84</b>
<b>Shares outstanding</b>		<b>328.29682</b>

The notes are an integral part of these financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>19,390,958.09</b>
<b>INCOME</b>	
Commissions on redemptions of shares	2.94
	<b>2.94</b>
<b>EXPENSES</b>	
Bank interest, net	49,014.36
Fees:	
- Investment advisory fee (note 4)	522,418.00
- Custodian fee and safekeeping charges	100,103.38
Other expenses:	
- Annual tax (note 5)	15,668.01
- Amortisation of formation/reorganisation expenses (note 2)	1,720.00
- Audit and legal fees	14,969.65
- Printing and publishing fees	623.63
- Administration and other expenses	6,083.89
	<b>710,600.92</b>
<b>NET RESULT ON INVESTMENTS</b>	<b>(710,597.98)</b>
Net realised result on:	
- Sales of investments (note 2)	775,736.97
<b>NET REALISED RESULT</b>	<b>65,138.99</b>
Change in net unrealised appreciation/(depreciation) on:	
- Investments	48,142.37
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>113,281.36</b>
<b>MOVEMENTS IN CAPITAL</b>	
Subscriptions of shares	16,410,871.47
Redemptions of shares	(156,418.64)
	<b>16,254,452.83</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>35,758,692.28</b>

The notes are an integral part of these financial statements

**STATISTICAL INFORMATION**  
Year ended December 31, 2002

**SHARES**

Shares outstanding at the beginning of the year	179.14900
Subscriptions of shares	150.58353
Redemptions of shares	(1.43571)
<b>Shares outstanding at the end of the year</b>	<b>328.29682</b>

**NET ASSET VALUE PER SHARE**

USD

Highest	110,522.20 (05.31.02)
Lowest	106,905.51 (10.31.02)
At the end of the year	108,921.84

**CHANGES IN THE NUMBER OF SHARES,  
OF NET ASSETS AND  
OF NET ASSET VALUE PER SHARE**

Date	Number of shares outstanding	Net assets (in USD)	Net asset value Per share (in USD)
* 12.27.00	115.00000	11,500,000.00	100,000.00
12.31.01	179.14900	19,390,958.09	108,239.28
12.31.02	328.29682	35,758,692.28	108,921.84

\* first valuation

**STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

**ASSETS**

Portfolio:	(note 2)	
- Cost		17,469,018.45
- Net unrealised result		558,345.32
		<b>18,027,363.77</b>

Other assets:		
- Debtors for investments sold		169,643.95
- Equalization amounts receivable	(note 6)	19,938.75
- Formation/reorganisation expenses, net	(note 2)	4,290.28
		<b>18,221,236.75</b>

**LIABILITIES**

Bank overdraft:		
- Cash at sight	(note 7)	3,366,929.62
Other liabilities:		
- Taxes and expenses payable		86,580.48
- Sundry creditors	(note 8)	90,167.90
		<b>3,543,678.00</b>

<b>NET ASSETS</b>		<b>14,677,558.75</b>
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<b>Net asset value per share</b>		<b>100,558.38</b>
<b>Shares outstanding</b>		<b>145.96058</b>

The notes are an integral part of these financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>17,584,686.19</b>
<b>INCOME</b>	
Commission on redemption of shares	2.13
	<b>2.13</b>
<b>EXPENSES</b>	
Bank interest, net	40,568.74
Fees:	
- Investment advisory fee (note 4)	273,030.39
- Custodian fee and safekeeping charges	52,311.75
Other expenses:	
- Annual tax (note 5)	7,789.15
- Amortisation of formation/reorganisation expenses (note 2)	1,210.00
- Audit and legal fees	2,875.76
- Printing and publishing fees	571.50
- Administration and other expenses	4,018.40
	<b>382,375.69</b>
<b>NET RESULT ON INVESTMENTS</b>	<b>(382,373.56)</b>
Net realised result on:	
- Sales of investments (note 2)	(51,538.22)
<b>NET REALISED RESULT</b>	<b>(433,911.78)</b>
Change in net unrealised appreciation/(depreciation) on:	
- Investments	107,898.69
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>(326,013.09)</b>
<b>MOVEMENTS IN CAPITAL</b>	
Subscriptions of shares	348,741.93
Redemptions of shares	(2,929,856.28)
	<b>(2,581,114.35)</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>14,677,558.75</b>

The notes are an integral part of these financial statements



**STATISTICAL INFORMATION**

Year ended December 31, 2002

**SHARES**

Shares outstanding at the beginning of the year	171.30406
Subscriptions of shares	3.42971
Redemptions of shares	(28.77319)
<b>Shares outstanding at the end of the year</b>	<b>145.96058</b>

**NET ASSET VALUE PER SHARE**

USD

Highest	103,024.16 (05.31.02)
Lowest	97,877.06 (10.31.02)
At the end of the year	100,558.38

**CHANGES IN THE NUMBER OF SHARES,  
OF NET ASSETS AND  
OF NET ASSET VALUE PER SHARE**

Date	Number of shares outstanding	Net assets (in USD)	Net asset value per share (in USD)
* 12.27.00	40.00000	4,000,000.00	100,000.00
12.31.01	171.30406	17,584,686.19	102,651.89
12.31.02	145.96058	14,677,558.75	100,558.38
* first valuation			

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2002

**NOTE 1 - GENERAL**

ABSOLUTE RETURN TARGET FUND (The "Fund") is a Luxembourg incorporated investment company with variable capital (société d'investissement à capital variable) which was set up for an unlimited duration in Luxembourg in the form of a public limited company (société anonyme) on December 20, 2000, in accordance with the provisions of Part II of the law of March 30, 1988 on undertakings for collective investment and the law of August 10, 1915 on commercial companies.

The Articles of Incorporation were published in the Mémorial C, Recueil spécial des Sociétés et Associations (the «Mémorial») on January 29, 2001.

The Fund is registered at the Luxembourg Register of Commerce under the number B 79 444.

The Fund created under the co-sponsorship of Partners Advisers S.A. and Trendtrust S.A., invests mainly as a "Fund of Funds" in Hedge Funds.

The Fund's main objective is to achieve medium and long-term growth of its assets with a risk-adjusted performance better than the market and while protecting the invested capital. The Fund pursues its objective by investing most of its assets in securities of other open-ended undertakings for collective investment ("UCI"), namely, mutual funds ("fonds commun de placement") or investment companies, using non conventional or alternative asset management strategies.

The Fund's capital and the net assets of all the Sub-Funds are expressed in Dollars ("USD").

The Fund offers investors, within the same investment vehicle, a choice between several Sub-Funds (the "Sub-Funds"). The Board of Directors of the Fund may, at any time, decide the creation of further Sub-Funds.

To ensure effective management, the Board of Directors may decide to manage all or part of the assets of one or more Sub-Funds with other Sub-Funds in the Fund (technique of pooling) or to co-manage all or part of the assets, except for a cash reserve, if necessary, of one or more Sub-Funds in A.R.T. ABSOLUTE RETURN TARGET FUND with assets of other Luxembourg investment funds or of one or more sub-funds of other Luxembourg investment funds (hereinafter called "Party(ies) to co-managed assets") for which the Fund's Custodian was appointed the custodian bank. These assets will be managed in accordance with the respective investment policy of the Parties to co-managed assets, each of which pursuing identical or comparable objectives. Parties to co-managed assets will only participate in co-managed assets as stipulated in their respective Prospectus and in accordance with their respective investment restrictions.

Each Party to co-managed assets will participate in co-managed assets in proportion to the assets contributed thereto by it. Assets will be allocated to each Party to co-managed assets in proportion to its contribution to co-managed assets. The entitlements of each Party to co-managed assets apply to each line of investment in the aforesaid co-managed assets.

The aforementioned co-managed assets will be formed by the transfer of cash or, if necessary, other assets from each Party participating in the co-managed assets. Thereafter, the Board of Directors may regularly make subsequent transfers to co-managed assets. The assets can also be transferred back to a Party to co-managed assets for an amount not exceeding the participation of the said Party to co-managed assets.

Dividends, interest and other distributions deriving from income generated by co-managed assets will accrue to the Parties to co-managed assets in proportion to their respective investments. Such income may be kept by the Party to co-managed assets or reinvested in the co-managed assets.

All charges and expenses incurred in respect of co-managed assets will be applied to these assets. Such charges and expenses will be allocated to each Party to co-managed assets in proportion to its respective entitlement in the co-managed assets.

As at 31 December 2002, the Sub-Funds invest in two pools; Arbitrage and Investing as referenced in the statements of securities in each Sub-Fund.

### **NOTE 1 - GENERAL (continued)**

The Sub-Funds foreseen in the prospectus are the following:

- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS A Diversified
- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS B Arbitrage
- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS C Diversified
- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS D Investing

As at December 31, 2002, the following Sub-Funds are available to investors:

- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class A Diversified ("Class A Diversified") is a Sub-Fund reserved to clients under discretionary management mandate by Trendtrust S.A.. This Sub-Fund pursues an investment policy diversified among arbitrage and investing strategies
- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class B Arbitrage ("Class B Arbitrage") is a Sub-Fund opened to all investors. This Sub-Fund pursues an investment policy that primarily focuses on arbitrage strategies.
- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class C Diversified ("Class C Diversified") is a Sub-Fund opened to all investors. This Sub-Fund pursues an investment policy diversified among arbitrage and investing strategies.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fund prepares its combined financial statements and those of each Sub-Fund in conformity with legal and regulatory requirements in Luxembourg. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities during the reporting period. Actual results could differ from those estimates. The significant accounting policies used by the Fund are as follows:

#### *a) Combined financial statements*

The combined statement of net assets and statement of changes in net assets are expressed in Dollars (USD).

Combined statements are obtained by the arithmetic sum of the financial statements of each individual Sub-Fund on a line by line basis.

#### *b) Valuation of investments in securities*

Securities listed or traded on an official Stock Exchange or any other regulated market operating regularly, recognized and open to the public are valued on the basis of the last quotation known in Luxembourg on the Valuation Date and, if this security is traded on several markets, on the basis of the last price known on the market considered to be the main market for trading this security. If the last known price is not representative, the valuation is based on the probable realization value estimated by the Directors with prudence and in good faith.

Securities not listed or traded on a Stock Exchange or any other regulated market, operating regularly, recognized by and open to the public are assessed on the basis of the probable realization value estimated with prudence and in good faith, as determined by the Directors in accordance with recognized accounting and financial principles, using latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

#### *c) Valuation of investments in investment funds and partnerships*

Investments in investment funds and partnerships are valued at their latest official net assets values or at their latest unofficial net asset values (i.e. which are not generally used for the purposes of subscription and redemption of shares of the target funds) as provided by the relevant administrators if more recent than their official net asset values and for which the Administrative Agent has sufficient assurance that the valuation method used by the relevant administrator for said unofficial net asset values is coherent as compared to the official one. The Directors estimate that this valuation method most fairly presents the amount which would be realizable had the investment been sold as of the date of the computation of the net asset value. Because of the inherent uncertainty related to valuation and assessment of credit risks, the carrying value of these investments may differ from the values retained that would have been used had a ready market existed for these investments.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If events have occurred which may have resulted in a material change of the net asset value of such shares or units in other UCI or partnerships since the day on which the latest official net asset value was calculated, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Directors, such change of value.

For the purpose of determining the value of the Fund's assets, the Administrative Agent relies upon information received from various professional pricing sources (including fund administrators and brokers). In the absence of manifest error and having due regards to the standard of care and due diligence in this respect the Administrative Agent is not responsible for the accuracy of the valuations provided by such pricing sources.

In circumstances where one or more pricing sources fails to provide valuations for an important part of the assets to the Administrative Agent, the latter is authorized not to calculate a net asset value and as a result may be unable to determine subscription and redemption prices. The Directors shall be informed immediately by the Administrative Agent should this situation arise. The Directors may then decide to suspend the net asset value calculation, in accordance with the procedures set out in the section entitled "Suspension of the Calculation of Net Asset Value, and of the Issue, Repurchase and Conversion of Shares" of the prospectus.

*d) Valuation of swaps*

Swaps are valued at fair value based on the last available closing data used to compute the mark-to-market valuation of the swaps.

*e) Net realised gain or loss on sales of investments*

Realised gains or losses on sales of investments are calculated on the basis of average cost of the investments sold.

*f) Conversion of foreign currencies*

The accounting records and the financial statements of each Sub-Fund are expressed in Dollard (USD). Bank accounts, other net assets and market value of the investments in securities expressed in currencies other than USD are converted into USD at the exchange rates prevailing on the date of the balance sheet. Income and expenses in currencies other than USD are converted into USD at the rate of exchange prevailing at payment date.

*g) Cost of investments in securities*

Cost of investments in securities in currencies other than USD is converted into USD at the exchange rate applicable at purchase date.

*h) Formation expenses*

Formation expenses are amortised on a straight line basis over a period of 5 years.

If a new Sub-Fund is created in the future, the upfront costs for the Sub-Fund will be borne by the Sub-Fund exclusively and will be amortized over a period of 5 years with effect from the launch date of the said Sub-Fund.

*i) Income recognition*

Dividends are taken into account on the date upon which the relevant investments are first listed as ex-dividend. Interest income is accrued on a daily basis. Income is recorded net of withholding tax, if any.

### **NOTE 3 - ISSUE, CONVERSION AND REPURCHASE OF THE FUND'S SHARES**

Shares in the Sub-Funds of A.R.T. - ABSOLUTE RETURN TARGET FUND may be subscribed at any Valuation Date, ie the last calendar day of each month. However, considering the delay for the reception of the NAVs of the target funds, the NAV of the Fund is calculated within 21 calendar days of the following month.

During and after the initial offering period, the subscription price per share is equal to the Net Asset Value per Share on the relevant Valuation Day increased by a subscription fee in favour of the Principal Distributor up to a maximum of 4%.

Shares are redeemable on the first Valuation Date of each quarter and for the first time on March 31, 2001.

Shares in the Sub-Funds of A.R.T. - ABSOLUTE RETURN TARGET FUND are repurchased at a price corresponding to the Net Asset Value per Share. In addition, a redemption fee of up to 2% of the net asset value of the shares redeemed may be applied, or may be waived in whole or in part at the discretion of the Board of Directors. The redemption fee (if any) is paid for the redeemed Sub-Fund in order to compensate the fees required by underlying invested funds. The same percentage of redemption fee is applicable to all redemption requests received for a specific Redemption Date.

The Board of Directors may cause the Fund to redeem shares by payment of the redemption price of the price in cash.

Shares of one Sub-Fund may be converted into shares of another Sub-Fund if the applicants do comply with the eligibility criterias of the said target class.

Such conversion is accepted upon request at a price corresponding to the net asset value per share of the relevant Sub-Fund without conversion fee.

### **NOTE 4 - INVESTMENT ADVISER'S, PRINCIPAL DISTRIBUTOR'S AND PERFORMANCE FEES**

Under the terms of an agreement dated December 27, 2000, TT PARTNERS LTD was appointed Investment Adviser and Principal Distributor (i) to assist and advise the Fund in the daily management of its portfolio, (ii) to provide the Fund, on an ancillary basis with assistance in the selection of one or several selling agents or business intermediaries and to provide such intermediaries as well as investors with general information relative to economic and financial developments as well as trends that might affect shareholder investments in the Sub-Funds, as well as all other information or assistance required by shareholders in direct relation with their investments in the Sub-Funds.

The Investment Adviser and Principal Distributor is paid by the Fund, for each Sub-Fund, a fee of maximum of 1.75% p.a. as detailed below paid on a quarterly basis and calculated on the average net asset value of each Sub-Fund determined on each Valuation Date, in each quarter during the continuance of the Investment Advisory and Principal Distributor Agreement.

The Investment Adviser is also entitled to a performance fee payable annually and calculated on a "High Water Mark" basis (i.e. the High Water Mark being the highest NAV as at the end of a financial year for which a Performance Fee has been paid). The Performance Fee payable is 10% of the outperformance of the Net Asset Value of the Fund over an annual benchmark of 6%. For the year ended 31 December 2002, no performance fee was due.

Such Performance Fee is accrued on each valuation date and payable within ten days after the approval of the audited annual report by the General Meeting of Shareholders.

Performance fee on redeemed shares is paid systematically.

**NOTE 4 - INVESTMENT ADVISER'S, PRINCIPAL DISTRIBUTOR'S AND PERFORMANCE FEES (continued)**

At the end of the year, in the case of a negative provision, said provision is reported on the following year.

Name of the Sub-Fund	Advisory Fee applicable	Performance fee applicable
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS A Diversified	none	none
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS B Arbitrage	1.75 %	none
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS C Diversified	1.75 %	Yes see text above
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS D Investing	1.75 %	Yes see text above

These fees have been determined by the Board of Directors taking into consideration that, for the clients under discretionary management by Trendtrust S.A. a separate agreement already foresee fees to be paid by the investors in the Fund.

**NOTE 5 - ANNUAL TAX**

Under the prevailing laws and regulations, the fund is subject in Luxembourg to a tax at the annual rate of 0.05%, payable quarterly and calculated on the basis of its net assets at the end of each quarter.

For the portion of the assets of the Fund invested in other UCIs which are established in Luxembourg, no such tax is payable.

For the Sub-Fund exclusively reserved to Institutional Investors, a tax of 0.01% per annum is applicable.

**NOTE 6 - EQUALIZATION**

When investments are made during the course of a period in certain mutual funds, certain adjustments ("equalization amounts") to the amount paid for the purchase of the investments are necessary, so that the performance fee paid by those investments to their investment adviser is charged only to those investments which have appreciated in value since their acquisition. Equalization amounts outstanding are refunded to the Fund in the form of additional shares at the period end net asset value of those investments.

**NOTE 7 - BANK OVERDRAFT**

The debit situation in certain account statements as at 31 December 2002 is not only related to leverage being used by the fund manager but is largely the technical consequence of a gap between the value date applied to the proceeds of redemptions in investments and the payments made by the fund manager as a result of having invested, before month-end, the proceeds of redemptions in third party funds.

**NOTE 8 - SUNDRY CREDITORS**

This account shows a payable amount in relation with an outstanding redemption of one investment, paid but not yet settled for an amount of USD 781,275.71 and with an outstanding subscription in the Fund, paid, but not yet settled for an amount of USD 99,998.96.

**NOTE 9 - CHANGES IN THE SECURITIES PORTFOLIO**

A copy of the changes in the securities portfolio for the year ended December 31, 2002 is available free of charge at the Registered Office of the Fund.

#### **NOTE 10 - DIRECTORS' INTERESTS**

The following directors are also directors of the following Funds' shares held in the portfolio as at December 31, 2002:

Directors		Securities
Luc Estenne	Director of TT Partners Ltd and Partners Advisers S.A.	Square One Fund Ltd

#### **NOTE 11 - SUBSEQUENT EVENTS**

From January 30, 2003 the following Sub-fund is available to investors:

- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class D Investing ("Class D Investing") is a Sub-Fund opened to all investors. This Sub-Fund pursues an investment policy that primarily focuses on investing strategies.



# **Exhibit 6**

**A.R.T. - ABSOLUTE RETURN TARGET FUND**

**Société d'Investissement à Capital Variable**

**AUDITED  
ANNUAL REPORT AS AT  
DECEMBER 31, 2002**

Subscriptions cannot be received on the basis of financial reports. Subscriptions are valid only if made on the basis of the current prospectus, supplemented by the last annual report and the most recent semi-annual report if published thereafter.

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## **DIRECTORS AND ADMINISTRATION**

### **BOARD OF DIRECTORS**

#### **CHAIRMAN**

Mr Luc Estenne  
Director of Partners Advisers S.A.  
Geneva, Switzerland

#### **DIRECTORS**

Mr Hugues Janssens van der Maelen  
Director of Trendtrust S.A.  
Geneva, Switzerland

Mr Andrea Manghi  
Director of Trendtrust S.A.  
Geneva, Switzerland

Mr Peter H. Fletcher (until June 24, 2002)  
Geneva, Switzerland

Mr Edward de Burlet  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Geoffroy Linard de Guertechin  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Benoît de Hults  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Serge Muller  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr Guy Verhoustraeten  
Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

#### **INVESTMENT ADVISER AND PRINCIPAL DISTRIBUTOR**

TT PARTNERS LTD  
The Huntlaw Building  
75 Fort Street  
P.O. Box 1350 George Town  
Grand Cayman, Cayman Islands

#### **CUSTODIAN BANK, REGISTRAR AND TRANSFER AGENT, DOMICILIARY, ADMINISTRATIVE, PAYING AND LISTING AGENT**

Banque Privée Edmond de Rothschild Luxembourg  
20, Boulevard Emmanuel Servais  
L-2535 Luxembourg

#### **AUDITORS**

ERNST & YOUNG S.A.  
6 rue Jean Monnet  
L-2180 Luxembourg

**DIRECTORS AND ADMINISTRATION (continued)**

**REGISTERED OFFICE**

Banque Privée Edmond de Rothschild Luxembourg  
20, Boulevard Emmanuel Servais  
L-2535 Luxembourg

**CO-SPONSORS**

PARTNERS ADVISERS S.A.  
12 rue François Bonivard  
CH-1201 GENEVA

TRENDTRUST S.A.  
3 rue du Mont-Blanc  
CH-1201 GENEVA

## INFORMATION TO THE SHAREHOLDERS

Notices concerning the Fund are published in newspapers designated by the Board of Directors and, if prescribed by law, are published in the Mémorial, the official gazette of Luxembourg, and are lodged with the Registrar of the Luxembourg District Court.

The current Articles of Incorporation of the Fund are lodged with the Registrar of the Luxembourg District Court, from whom copies may be obtained.

The issue price and the redemption price of the Fund shares are made public at the Registered Office of the Fund, where annual and semi-annual reports may be obtained.

The shares of the Sub-Funds are listed on the Luxembourg Stock Exchange.

## NET ASSET VALUE PER SHARE

The Net Asset Value per share of ABSOLUTE RETURN TARGET FUND (the "Fund") is dated at the last calendar day of each month ("Valuation Date") (i.e. apart from the legal or bank holidays, for which the Valuation Date is the preceding business day) under the responsibility of the Fund's Board of Directors. However, considering the delay for the reception of the NAVs of the target funds, the NAV of the Fund is calculated within 21 calendar days of the following month.

The valuation per share as at December 31, 2002 was:

USD	105,726.75	For the A.R.T. - ABSOLUTE RETURN TARGET FUND - Class A Diversified
USD	108,921.84	For the A.R.T. - ABSOLUTE RETURN TARGET FUND - Class B Arbitrage
USD	100,558.38	For the A.R.T. - ABSOLUTE RETURN TARGET FUND - Class C Diversified

## REPORT ON THE ACTIVITIES OF THE FUND\*

### A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified

#### Hedge Fund Industry Review

##### Arbitrage sub-portfolio

Year 2002 saw an acceleration of the downward trend in global equity and credit markets, amid weakening world economies and geopolitical tensions. This didn't leave hedge funds unaffected and many strategies/funds ended the year down.

While the past year was mediocre in terms of hedge fund returns, it was a vintage year in terms of asset gathering for many hedge fund players. As those vehicles became more familiar to many investors, especially institutional players like insurance companies and pension funds, the allocations increased dramatically. This had several implications for the Arbitrage sub-portfolio:

- 1 Returns for Arbitrage strategies came down: next to low interest rates, which already put a drag on returns, large sums of money chasing scarce opportunities pushed many inefficiencies to close, lowering returns on some strategies.
- 1 Mainstream strategies didn't work well anymore: many "classical" hedge fund strategies, including merger arbitrage, statistical arbitrage, convertible arbitrage had poor years. Not only did inefficiencies disappear, but the relative importance of hedge funds as market players caused higher trading in markets and price dislocations. Convertible Arbitrage funds were able to post decent returns, mainly because they shifted their asset allocation from volatility trading to credit trading. The risk/reward trade off of the strategy has changed accordingly, and most of them now face important credit risk.

There are four measures the Investment Advisor took to avoid being caught in this trap:

- 1 Invest with smaller, more nimble managers in niche strategies, where inefficiencies remain.
- 1 Invest in some funds which are long the tails, i.e. which would perform well in a crisis environment.
- 1 Add pure protection to the portfolio, by holding a small allocation to short sellers, benefiting from market declines
- 1 Increase overall portfolio diversification, and reduce individual position size.

##### Investing sub-portfolio

Investing strategies had a very hard time in 2002, showing that Hedge Funds are able to protect capital in bear markets, but have difficulty achieving attractive returns. Equity strategies in particular showed very correlated to the broader market and ended the year down (as measured by the different hedge fund indices). The reasons for this bad performance are the following:

- 1 A vast majority of L/S equity funds use fundamental analysis to pick stocks. In a bear market as the one seen last year, this investment methodology doesn't work. Markets tended to react much more to technicals and sentiments than to fundamental values. Most L/S equity managers failed to take this into account.
- 1 Institutional investors fled equity markets during 2002, sharply reducing liquidity. Hedge fund tend to add a lot of value by trading against institutional investors, which wasn't possible in 2002. Moreover the number of hedge funds and assets in the industry increased sharply. As such, hedge funds were more and more trading against each other. Over the long run, this is a zero sum game.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified (continued)**

The investment advisor has taken the following steps to avoid being hurt by badly performing L/S equity managers:

- 1 Invest with managers taking a more flexible approach, being able to trade based on technicals and sentiment, next to fundamentals.
- 1 Add managers with lower net exposure, or who are able to go net short on some occasions.
- 1 Reduce the allocation of the portfolio to L/S equity managers as a group.

### **Performance review**

#### Arbitrage sub-portfolio

The performance of the Arbitrage part of the portfolio has been disappointing in 2002. This counter-performance can be explained by exogenous factors and portfolio related factors:

#### *Exogenous Factors*

- 1 A continuing bear market, coupled with sharp swings, reversals and high volatility made it difficult for Arbitrage strategies as a whole to make money. Arbitrage strategies are typically trying to capture inefficiencies, which is much easier to do in rational and benign markets.
- 1 As stated above, institutional involvement and the amount of money flowing to hedge funds arbitrated away part of the opportunities.

As a result, the returns from Arbitrage strategies (as measured by various indices) in 2002 was around 2% to 3%.

#### *Sub-portfolio specific factors*

- 1 The arbitrage sub-portfolio entered the summer with a heavy credit allocation. This was mainly due to the Investment Advisor's belief that with spreads at high levels and an stabilizing economy, this asset class should do well. Unfortunately, June and July proved that this tilt had been made too early, with credit market selling off very hard.
- 1 A small allocation to Bristol, the fund run by Beacon Hill had a major impact in September, when the fund blew up, costing 2% of NAV. A serious due diligence had been made on the fund prior to investment. The advisor believes that such blow ups cannot be avoided all the time, but merely limited by sizing correctly positions and by limiting the number of funds with fat tails in the portfolio.

Portfolio adjustment and reshuffling after September helped turn the performance around and the sub-portfolio ended the year on a strong note. The Investment Advisor thinks that the arbitrage component in the portfolio is well positioned to take advantage of the volatile markets in 2003.

#### Investing sub-portfolio

The performance of the Investing sub-portfolio has been in line with its stated objectives, i.e. breaking even in a bear market. The factors which affected performance are the following:

#### *Exogenous Factors*

- 1 As stated above, an accelerating bear market, with high levels of volatility and sharp market reversals made it difficult for fundamental L/S equity managers to make any money in 2002.



## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified (continued)**

#### *Sub-portfolio specific factors*

- 1 A heavy allocation to L/S equity managers put a drag on performance in 2002. Macro and CTA strategies had an outstanding year, and those were underweighted in the portfolio.
- 1 Among L/S equity managers in the Investing sub-portfolio, few were flexible enough to take advantage of falling markets. Most of them stuck to their investment style and remained net long throughout the year.

Portfolio adjustment and reshuffling after September helped turn the performance around and the investing sub-portfolio ended the year on a strong note as well.

#### **Asset Allocation Review**

##### Arbitrage sub-portfolio

Asset allocation has moved away from credit strategies towards fixed income relative value and macro during the course of the year. This reflected the change in the imbalances between a heavy distressed securities allocation and an almost inexistent macro/relative value weight. Accordingly, the sub-portfolio is much better structured now, with a good diversification among uncorrelated strategies.

At the sub-portfolio level, number of funds was increased and position size reduced, to limit individual position risk. Moreover, at the end of the year most funds in the sub-portfolio fall in the following two groups:

- 1 Small, nimble and opportunistic funds, pursuing niche strategies and running a relatively small amount of assets
- 1 Large, established and successful groups, which have proven in the past that they were able to achieve nice returns and limit risks.

While the latter group are usually closed to new investments, the Investment Advisor was able to get allocations to some of them, further improving arbitrage sub-portfolio structure.

##### Investing sub-portfolio

Equity strategies have been reduced in the investing sub-portfolio and macro/CTA strategies have been increased. This is a correction from imbalances in the portfolio during the first part of the year. At this point, the sub-portfolio is well structured between equities, fixed income and commodities, and has a market beta close to zero. Moreover, distribution tails are protected from any extreme environment (including a sharp sell off or a sharp bear market rally).

At the underlying sub-portfolio level, there has been more turnover than originally expected, which was due to redemptions of disappointing long/short equity managers, which were replaced by more nimble and opportunistic funds. The mortality rate in long/short equity funds has been very high and this type of turnover is expected to continue as long as the market behaves in such a hectic way.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class A Diversified (continued)**

#### **Outlook**

The Investment Advisor believes that the fund is well positioned to benefit from the markets in 2003. The fund has been structured to benefit from both a growing or weakening economy as well as from a positive or negative geopolitical outcome.

The portfolio has also been changed to avoid strategies which opportunities have been arbitrated away, and which returns are likely going to be low in the next couple of years.

Finally, to respond to irrational and volatile markets, a range of funds performing particularly well in this type of environment have been added to the portfolio.

Should market remain choppy, A.R.T. Absolute Return Target Fund Class A should be able to achieve returns in the 5% to 7% range next year. However, should markets return to some kind of normalcy, the portfolio could return more than the above range.

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class B Arbitrage**

#### **Hedge Fund Industry Review**

Year 2002 saw an acceleration of the downward trend in global equity and credit markets, amid weakening world economies and geopolitical tensions. This didn't leave hedge funds unaffected and many strategies/funds ended the year down.

While the past year was mediocre in terms of hedge fund returns, it was a vintage year in terms of asset gathering for many hedge fund players. As those vehicles became more familiar to many investors, especially institutional players like insurance companies and pension funds, the allocations increased dramatically. This had several implications for A.R.T. Absolute Return Target Fund Class B:

- 1 Returns for Arbitrage strategies came down: next to low interest rates, which already put a drag on returns, large sums of money chasing scarce opportunities pushed many inefficiencies to close, lowering returns on some strategies.
- 1 Mainstream strategies didn't work well anymore: many "classical" hedge fund strategies, including merger arbitrage, statistical arbitrage, convertible arbitrage had poor years. Not only did inefficiencies disappear, but the relative importance of hedge funds as market players caused higher trading in markets and price dislocations. Convertible Arbitrage funds were able to post decent returns, mainly because they shifted their asset allocation from volatility trading to credit trading. The risk/reward trade off of the strategy has changed accordingly, and most of them now face important credit risk.

There are four measures the Investment Advisor took to avoid being caught in this trap:

- 1 Invest with smaller, more nimble managers in niche strategies, where inefficiencies remain.
- 1 Invest in some funds which are long the tails, i.e. which would perform well in a crisis environment.
- 1 Add pure protection to the portfolio, by holding a small allocation to short sellers, benefiting from market declines
- 1 Increase overall portfolio diversification, and reduce individual position size.

#### **Performance review**

The performance of A.R.T. Absolute Return Target Fund Class B has been disappointing in 2002. This counter-performance can be explained by exogenous factors and portfolio related factors:

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class B Arbitrage (continued)**

#### *Exogenous Factors*

- 1 A continuing bear market, coupled with sharp swings, reversals and high volatility made it difficult for Arbitrage strategies as a whole to make money. Arbitrage strategies are typically trying to capture inefficiencies, which is much easier to do in rational and benign markets.
- 1 As stated above, institutional involvement and the amount of money flowing to hedge funds arbitrated away part of the opportunities.

As a result, the returns from Arbitrage strategies (as measured by several hedge fund indices) in 2002 was around 2% to 3%.

#### *Portfolio specific factors*

- 1 The fund entered the summer with a heavy credit allocation. This was mainly due to the Investment Advisor's belief that with spreads at high levels and an stabilizing economy, this asset class should do well. Unfortunately, June and July proved that this tilt had been made too early, with credit market selling off very hard.
- 1 A small allocation to Bristol, the fund run by Beacon Hill had a major impact in September, when the fund blew up, costing 2% of NAV. A serious due diligence had been made on the fund prior to investment. The advisor believes that such blow ups cannot be avoided all the time, but merely limited by sizing correctly positions and by limiting the number of funds with fat tails in the portfolio.

Portfolio adjustment and reshuffling after September helped turn the performance around and the fund ended the year on a strong note. The Investment Advisor thinks that the fund is well positioned to take advantage of the volatile markets in 2003.

### **Asset Allocation Review**

Asset allocation has moved away from credit strategies towards fixed income relative value and macro during the course of the year. This reflected the change in the imbalances between a heavy distressed securities allocation and an almost inexistent macro/relative value weight. Accordingly, the portfolio is much better structured now, with a good diversification among uncorrelated strategies.

At the fund level, number of funds was increased and position size reduced, to limit individual position risk. Moreover, at the end of the year most funds in the portfolio fall in the following two groups:

- 1 Small, nimble and opportunistic funds, pursuing niche strategies and running a relatively small amount of assets
- 1 Large, established and successful groups, which have proven in the past that they were able to achieve nice returns and limit risks.

While the latter group are usually closed to new investments, the Investment Advisor was able to get allocations to some of them, further improving portfolio structure.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class B Arbitrage (continued)**

#### **Outlook**

The Investment Advisor believes that the fund is well positioned to benefit from the markets in 2003. The fund has been structured to benefit from both a growing or weakening economy as well as from a positive or negative geopolitical outcome.

The portfolio has also been changed to avoid strategies which opportunities have been arbitrated away, and which returns are likely going to be low in the next couple of years.

Finally, to respond to irrational and volatile markets, a range of funds performing particularly well in this type of environment have been added to the portfolio.

Should market remain choppy, the A.R.T. Absolute Return Target Fund Class B should be able to achieve returns in the 5% to 7% range next year. However, should markets return to some kind of normalcy, the portfolio could return more than the above range.

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified**

#### **Hedge Fund Industry Review**

##### Arbitrage sub-portfolio

Year 2002 saw an acceleration of the downward trend in global equity and credit markets, amid weakening world economies and geopolitical tensions. This didn't leave hedge funds unaffected and many strategies/funds ended the year down.

While the past year was mediocre in terms of hedge fund returns, it was a vintage year in terms of asset gathering for many hedge fund players. As those vehicles became more familiar to many investors, especially institutional players like insurance companies and pension funds, the allocations increased dramatically. This had several implications for the Arbitrage sub-portfolio:

- 1 Returns for Arbitrage strategies came down: next to low interest rates, which already put a drag on returns, large sums of money chasing scarce opportunities pushed many inefficiencies to close, lowering returns on some strategies.
- 1 Mainstream strategies didn't work well anymore: many "classical" hedge fund strategies, including merger arbitrage, statistical arbitrage, convertible arbitrage had poor years. Not only did inefficiencies disappear, but the relative importance of hedge funds as market players caused higher trading in markets and price dislocations. Convertible Arbitrage funds were able to post decent returns, mainly because they shifted their asset allocation from volatility trading to credit trading. The risk/reward trade off of the strategy has changed accordingly, and most of them now face important credit risk.

There are four measures the Investment Advisor took to avoid being caught in this trap:

- 1 Invest with smaller, more nimble managers in niche strategies, where inefficiencies remain.
- 1 Invest in some funds which are long the tails, i.e. which would perform well in a crisis environment.
- 1 Add pure protection to the portfolio, by holding a small allocation to short sellers, benefiting from market declines
- 1 Increase overall portfolio diversification, and reduce individual position size.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified (continued)**

#### Investing sub-portfolio

Investing strategies had a very hard time in 2002, showing that Hedge Funds are able to protect capital in bear markets, but have difficulty achieving attractive returns. Equity strategies in particular showed very correlated to the broader market and ended the year down (as measured by the different hedge fund indices). The reasons for this bad performance are the following:

- 1 A vast majority of L/S equity funds use fundamental analysis to pick stocks. In a bear market as the one seen last year, this investment methodology doesn't work. Markets tended to react much more to technicals and sentiments than to fundamental values. Most L/S equity managers failed to take this into account.
- 1 Institutional investors fled equity markets during 2002, sharply reducing liquidity. Hedge fund tend to add a lot of value by trading against institutional investors, which wasn't possible in 2002. Moreover the number of hedge funds and assets in the industry increased sharply. As such, hedge funds were more and more trading against each other. Over the long run, this is a zero sum game.

The investment advisor has taken the following steps to avoid being hurt by badly performing L/S equity managers:

- 1 Invest with managers taking a more flexible approach, being able to trade based on technicals and sentiment, next to fundamentals.
- 1 Add managers with lower net exposure, or who are able to go net short on some occasions.
- 1 Reduce the allocation of the portfolio to L/S equity managers as a group.

### **Performance review**

#### Arbitrage sub-portfolio

The performance of the Arbitrage part of the portfolio has been disappointing in 2002. This counter-performance can be explained by exogenous factors and portfolio related factors:

#### *Exogenous Factors*

- 1 A continuing bear market, coupled with sharp swings, reversals and high volatility made it difficult for Arbitrage strategies as a whole to make money. Arbitrage strategies are typically trying to capture inefficiencies, which is much easier to do in rational and benign markets.
- 1 As stated above, institutional involvement and the amount of money flowing to hedge funds arbitrated away part of the opportunities.

As a result, the returns from Arbitrage strategies (as measured by various indices) in 2002 was around 2% to 3%.

## **REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

### **A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified (continued)**

#### *Sub-portfolio specific factors*

- 1 The arbitrage sub-portfolio entered the summer with a heavy credit allocation. This was mainly due to the Investment Advisor's belief that with spreads at high levels and an stabilizing economy, this asset class should do well. Unfortunately, June and July proved that this tilt had been made too early, with credit market selling off very hard.
- 1 A small allocation to Bristol, the fund run by Beacon Hill had a major impact in September, when the fund blew up, costing 2% of NAV. A serious due diligence had been made on the fund prior to investment. The advisor believes that such blow ups cannot be avoided all the time, but merely limited by sizing correctly positions and by limiting the number of funds with fat tails in the portfolio.

Portfolio adjustment and reshuffling after September helped turn the performance around and the sub-portfolio ended the year on a strong note. The Investment Advisor thinks that the arbitrage component in the portfolio is well positioned to take advantage of the volatile markets in 2003.

#### Investing sub-portfolio

The performance of the Investing sub-portfolio has been in line with its stated objectives, i.e. breaking even in a bear market. The factors which affected performance are the following:

#### *Exogenous Factors*

- 1 As stated above, an accelerating bear market, with high levels of volatility and sharp market reversals made it difficult for fundamental L/S equity managers to make any money in 2002.

#### *Sub-portfolio specific factors*

- 1 A heavy allocation to L/S equity managers put a drag on performance in 2002. Macro and CTA strategies had an outstanding year, and those were underweighted in the portfolio.
- 1 Among L/S equity managers in the Investing sub-portfolio, few were flexible enough to take advantage of falling markets. Most of them stuck to their investment style and remained net long throughout the year.

Portfolio adjustment and reshuffling after September helped turn the performance around and the investing sub-portfolio ended the year on a strong note as well.

### **Asset Allocation Review**

#### Arbitrage sub-portfolio

Asset allocation has moved away from credit strategies towards fixed income relative value and macro during the course of the year. This reflected the change in the imbalances between a heavy distressed securities allocation and an almost inexistent macro/relative value weight. Accordingly, the sub-portfolio is much better structured now, with a good diversification among uncorrelated strategies.

At the sub-portfolio level, number of funds was increased and position size reduced, to limit individual position risk. Moreover, at the end of the year most funds in the sub-portfolio fall in the following two groups:

- 1 Small, nimble and opportunistic funds, pursuing niche strategies and running a relatively small amount of assets
- 1 Large, established and successful groups, which have proven in the past that they were able to achieve nice returns and limit risks.

**REPORT ON THE ACTIVITIES OF THE FUND\* (continued)**

**A.R.T. ABSOLUTE RETURN TARGET FUND - Class C Diversified (continued)**

While the latter group are usually closed to new investments, the Investment Advisor was able to get allocations to some of them, further improving arbitrage sub-portfolio structure.

Investing sub-portfolio

Equity strategies have been reduced in the investing sub-portfolio and macro/CTA strategies have been increased. This is a correction from imbalances in the portfolio during the first part of the year. At this point, the sub-portfolio is well structured between equities, fixed income and commodities, and has a market beta close to zero. Moreover, distribution tails are protected from any extreme environment (including a sharp sell off or a sharp bear market rally).

At the underlying sub-portfolio level, there has been more turnover than originally expected, which was due to redemptions of disappointing long/short equity managers, which were replaced by more nimble and opportunistic funds. The mortality rate in long/short equity funds has been very high and this type of turnover is expected to continue as long as the market behaves in such a hectic way.

**Outlook**

The Investment Advisor believes that the fund is well positioned to benefit from the markets in 2003. The fund has been structured to benefit from both a growing or weakening economy as well as from a positive or negative geopolitical outcome.

The portfolio has also been changed to avoid strategies which opportunities have been arbitrated away, and which returns are likely going to be low in the next couple of years.

Finally, to respond to irrational and volatile markets, a range of funds performing particularly well in this type of environment have been added to the portfolio.

Should market remain choppy, A.R.T. Absolute Return Target Fund Class C should be able to achieve returns in the 5% to 7% range next year. However, should markets return to some kind of normalcy, the portfolio could return more than the above range.

Since the close of the fiscal year, any significant development has been included in the documents presented to the Shareholders.

In reference to the foreseeable developments of the Company, we shall continue, as in the past, to ensure that the Company's business grows in a satisfactory manner while being aware of the opportunities which may arise.

March 7, 2003  
A.R.T. - ABSOLUTE RETURN TARGET FUND  
FUND OF FUNDS

\* Indications and comparisons are historical and are not necessarily an indication of future results.



## AUDITOR'S REPORT

To the shareholders of  
A.R.T. - ABSOLUTE RETURN TARGET FUND  
(Société d'Investissement à Capital Variable):

We have audited the financial statements, which consist of the statement of net assets, the statement of changes in net assets, the statement of investments in securities and other net assets and the notes to the financial statements of A.R.T. - ABSOLUTE RETURN TARGET FUND (Société d'Investissement à Capital Variable) and each of its Sub-Funds for the year ended December 31, 2002. These financial statements are the responsibility of the Board of Directors of the SICAV. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors of the SICAV in preparing the financial statements, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached financial statements described above give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the financial position of A.R.T. - ABSOLUTE RETURN TARGET FUND (Société d'Investissement à Capital Variable) and each of its Sub-Funds at December 31, 2002 and the results of its operations and changes in its net assets for the year then ended.

As discussed in Note 2c, being a "fund of funds", the financial statements of A.R.T. - ABSOLUTE RETURN TARGET FUND include investments in funds and investments in partnerships valued at December 31, 2002 at USD 90,462,356.08 (100.00% of investments) whose values have been determined under the responsibility of the Board of Directors based on valuations communicated by these other funds and partnerships in the absence of readily ascertainable market values obtainable from independent sources. We have reviewed the procedures used by the Board of Directors in arriving at their estimate of value of such investments and have inspected the underlying documentation, and in the circumstances we believe the procedures are reasonable and the documentation appropriate.

Supplementary information included in the annual report (such as the report on the activities of the Fund, the statements of statistical information, the statements of geographical and economic classifications of the investment in securities and the statements of changes in the number of shares, of net assets and of net asset value per share) has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. We have no observations to make concerning such information in the context of the financial statements taken as a whole.

ERNST & YOUNG  
Société Anonyme  
Independent Auditors

Bernard LHOEST

Luxembourg  
March 7, 2003



# **COMBINED STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

## **ASSETS**

Portfolio:	(note 2)	
- Cost		87,451,182.65
- Net unrealised result		3,011,173.43
		<b>90,462,356.08</b>

Other assets:		
- Debtors for investments sold		567,937.34
- Equalization amounts receivable	(note 6)	139,329.59
- Formation/reorganisation expenses, net	(note 2)	18,505.41
		<b>91,188,128.42</b>

## **LIABILITIES**

Bank overdraft:	(note 7)	
- Cash at sight		17,599,383.67

Other liabilities:		
- Taxes and expenses payable		322,448.41
- Sundry creditors	(note 8)	881,274.67
		<b>18,803,106.75</b>

<b>NET ASSETS</b>		<b>72,385,021.67</b>
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The notes are an integral part of these financial statements

**COMBINED STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

**INCOME**

Commissions on redemption of shares	8.17
	<b>8.17</b>

**EXPENSES**

Bank interest, net	139,663.98
Fees:	
- Investment advisory fee (note 4)	795,448.39
- Custodian fee and safekeeping charges	224,451.02
Other expenses:	
- Annual tax (note 5)	25,618.10
- Amortisation of formation/reorganisation expenses (note 2)	4,476.00
- Audit and legal fees	25,239.00
- Printing and publishing fees	1,833.84
- Administration and other expenses	14,725.64
	<b>1,231,455.97</b>

**NET RESULT ON INVESTMENTS (1,231,447.80)**

Net realised result on:	
- Sales of investments (note 2)	871,282.05

**NET REALISED RESULT (360,165.75)**

Change in net unrealised appreciation/(depreciation) on:	
- Investments	109,067.15

**NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS (251,098.60)**

The notes are an integral part of these financial statements

**STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

**ASSETS**

Portfolio:	(note 2)	
- Cost		26,007,068.86
- Net unrealised result		831,388.16
		<b>26,838,457.02</b>

Other assets:		
- Debtors for investments sold		252,507.31
- Equalization amounts receivable	(note 6)	29,691.07
- Formation/reorganisation expenses, net	(note 2)	5,966.11
		<b>27,126,621.51</b>

**LIABILITIES**

Bankoverdraft:		
- Cash at sight	(note 7)	5,012,636.24
Other liabilities:		
- Taxes and expenses payable		30,916.33
- Sundry creditors	(note 8)	134,298.30
		<b>5,177,850.87</b>

<b>NET ASSETS</b>		<b>21,948,770.64</b>
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<b>Net asset value per share</b>		<b>105,726.75</b>
<b>Shares outstanding</b>		<b>207.59903</b>

The notes are an integral part of these financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>21,412,487.89</b>
<b>INCOME</b>	
Commissions on redemption of shares	3.10
	<b>3.10</b>
<b>EXPENSES</b>	
Bank interest, net	50,080.88
Fees:	
- Custodian fee and safekeeping charges	72,035.89
Other expenses:	
- Annual tax (note 5)	2,160.94
- Amortisation of formation/reorganisation expenses (note 2)	1,546.00
- Audit and legal fees	7,393.59
- Printing and publishing fees	638.71
- Administration and other expenses	4,623.35
	<b>138,479.36</b>
<b>NET RESULT ON INVESTMENTS</b>	<b>(138,476.26)</b>
Net realised result on:	
- Sales of investments (note 2)	147,083.30
<b>NET REALISED RESULT</b>	<b>8,607.04</b>
Change in net unrealised appreciation/(depreciation) on:	
- Investments	(46,973.91)
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>(38,366.87)</b>
<b>MOVEMENTS IN CAPITAL</b>	
Subscriptions of shares	1,149,999.20
Redemptions of shares	(575,349.58)
	<b>574,649.62</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>21,948,770.64</b>

The notes are an integral part of these financial statements

**STATISTICAL INFORMATION**

Year ended December 31, 2002

**SHARES**

Shares outstanding at the beginning of the year	202.23134
Subscriptions of shares	10.94969
Redemptions of shares	(5.58200)
<b>Shares outstanding at the end of the year</b>	<b>207.59903</b>

**NET ASSET VALUE PER SHARE**

USD

Highest	107,375.43 (05.31.02)
Lowest	102,642.93 (10.31.02)
At the end of the year	105,726.75

**CHANGES IN THE NUMBER OF SHARES,  
OF NET ASSETS AND  
OF NET ASSET VALUE PER SHARE**

Date	Number of shares outstanding	Net assets (in USD)	Net asset value per share (in USD)
* 12.27.00	161.20000	16,120,000.00	100,000.00
12.31.01	202.23134	21,412,487.89	105,881.16
12.31.02	207.59903	21,948,770.64	105,726.75

\* first valuation

**STATEMENT OF INVESTMENTS IN SECURITIES  
AND OTHER NET ASSETS**

December 31, 2002  
(in USD)

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET</b>					
<b>OPEN-ENDED INVESTMENT FUNDS</b>					
<b>JAPAN</b>					
4,918.32655	HENDERSON JAPAN ABSOLUTE RETURN FUND *	USD	125.080	615,184.28	2.80
				<b>615,184.28</b>	<b>2.80</b>
<b>UNITED KINGDOM</b>					
2,825.30698	ALPHAGEN AVIOR FUND LTD -A- *	USD	111.406	314,755.01	1.44
1,616.03727	HENDERSON UK EQUITY MARKET NEUTRAL FUND LTD -A- *	USD	105.270	170,120.24	0.78
				<b>484,875.25</b>	<b>2.22</b>
<b>WORLD</b>					
2,424.26548	ALPHAGEN CEPHEUS FUND LTD -A- RED SHS *	USD	111.780	270,984.39	1.23
163.61766	BRISTOL FUND LTD - PTG SHS *	USD	644.387	105,433.14	0.48
171.896	CQS CAPITAL STRUCTURE ARBITRAGE FEEDER FUND -B- LTD - RED SHS *	USD	997.700	171,500.60	0.78
399.34485	CSFB CONVERTIBLE & QUANTITATIVE STRATEGIES FEEDER FUND LTD *	USD	1,689.403	674,654.44	3.08
1,552.49151	ERISWELL MULTI STRATEGY FD INC -A- *	USD	99.670	154,737.14	0.70
3,316.12844	GLG GLOBAL MACRO FUND -A- *	USD	112.350	372,567.03	1.70
34.18839	THE DRAKE ABSOLUTE RETURN FUND LTD CLASS -B- SERIES 1-B - IN REDEMPTION *	USD	1,073.879	36,714.21	0.17
85.948	THE DRAKE ABSOLUTE RETURN FUND LTD CLASS -B- SERIES 1-C *	USD	1,079.123	92,748.46	0.42
				<b>1,879,339.41</b>	<b>8.56</b>
<b>TOTAL OPEN-ENDED INVESTMENT FUNDS</b>				<b>2,979,398.94</b>	<b>13.58</b>
<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET</b>				<b>2,979,398.94</b>	<b>13.58</b>
<b>OTHER TRANSFERABLE SECURITIES</b>					
<b>CLOSE-ENDED INVESTMENT FUNDS</b>					
<b>ASIA</b>					
12,961.05569	ARTRADIS BARRACUDA FUND *	USD	10.691	138,565.35	0.63
				<b>138,565.35</b>	<b>0.63</b>

The notes are an integral part of these financial statements

## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS A DIVERSIFIED

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>UNITED STATES OF AMERICA</b>					
2,406.52388	GRACIE CAPITAL INTERNATIONAL LTD SERIES A - IN REDEMPTION *	USD	167.390	402,828.03	1.84
1,475.74096	JEMMCO INTERNATIONAL FD -A- RED SHS *	USD	200.526	295,924.60	1.35
154.05481	LONGACRE INTERNATIONAL LTD SERIES 05/99 *	USD	1,480.080	228,013.44	1.04
				<b>926,766.07</b>	<b>4.23</b>
<b>WORLD</b>					
0.3655	AQR GLOBAL ASSET ALLOCATION OFFSHORE FUND CLASS -B- SERIES 12-2002 *	USD	119,437.247	43,654.73	0.20
2.18819	AQR GLOBAL ASSET ALLOCATION OFFSHORE FUND CLASS -B- SERIES 10-2002 *	USD	119,447.801	261,375.22	1.19
223.4648	ARX GLOBAL HIGH YIELD SECURITIES OVERSEAS FUND LTD -A6- *	USD	1,143.418	255,513.58	1.16
51.5688	ARX GLOBAL HIGH YIELD SECURITIES OVERSEAS FUND LTD -A12- *	USD	1,018.000	52,497.03	0.24
1,718.96	ASTIN VEGA FEEDER FUND LTD -A- *	USD	98.790	169,816.05	0.77
65.79309	ATLAS CAPITAL OFFSHORE FUND -D1102- *	USD	10,005.330	658,281.57	3.00
103,137.6	CONDOR OFFSHORE INVESTORS -B- FUND - IN SUBSCRIPTION *	USD	1.000	103,137.60	0.47
209,341.65	CONDOR OFFSHORE INVESTORS -B- FUND - IN SUBSCRIPTION *	USD	1.000	209,341.65	0.95
292,223.2	DE SHAW COMPOSITE INTL FD 1 ANNUAL UNIT - IN SUBSCRIPTION *	USD	1.000	292,223.20	1.33
478,495.2	DE SHAW COMPOSITE INTL FD 1 ANNUAL UNIT - IN SUBSCRIPTION *	USD	1.000	478,495.20	2.18
897.1785	EPIC DISTRESSED DEBT OPPORTUNITY FUND CLASS -B- *	USD	970.847	871,023.05	3.97
63.74247	JMG TRITON OFFSHORE FUND CLASS -D- SERIES 1 *	USD	3,303.400	210,566.89	0.96
981.99388	LAKESHORE INTERNATIONAL LTD *	USD	294.050	288,755.30	1.32
41.06767	LYDIAN OVERSEAS PARTNERS LTD CLASS -I- SERIES 1 - IN REDEMPTION *	USD	1,162.820	47,754.31	0.22
156.80181	LYDIAN OVERSEAS PARTNERS LTD CLASS - B-SERIES 1 - IN REDEMPTION *	USD	1,509.650	236,715.85	1.08
175.26	PIMCO GLOBAL RELATIVE VALUE OFFSHORE FUND II LTD CLASS -B- SERIES 5 *	USD	963.960	168,943.63	0.77
3,588.714	RAZOR MACRO FUND USD - CLASS A1 *	USD	104.840	376,240.77	1.71
0.23361	SILVER POINT CAPITAL OFFSHORE CLASS -D- SERIES 23-B FUND *	USD	10,180.000	2,378.24	0.01
105.42666	SILVER POINT CAPITAL OFFSHORE CLASS -D- SERIES 23-B FUND *	USD	10,362.751	1,092,510.32	4.98
166,739.12	SILVERBACK OFFSHORE FUND -B- IN SUBSCRIPTION *	USD	1.000	166,739.12	0.76
45.66638	STONEHILL OFFSHORE PARTNERS LIMITED - CLASS -A- *	USD	24,534.582	1,120,405.68	5.10
657.9309	THE ELKHORN FUND LTD -B1- *	USD	966.069	635,606.64	2.90
7,775.547	TIGER TECHNOLOGY LTD -B1- 01 JUL 02 *	USD	111.970	870,627.99	3.97
4,705.88163	TREMBLANT PARTNERS LTD -A1- *	USD	114.220	537,506.03	2.45
				<b>9,150,109.65</b>	<b>41.69</b>
<b>TOTAL CLOSE-ENDED INVESTMENT FUNDS</b>				<b>10,215,441.07</b>	<b>46.55</b>
<b>OPEN-ENDED INVESTMENT FUNDS</b>					
<b>ASIA</b>					
44,858.925	WHARTON ASIAN RENAISSANCE FUND COMPANY LTD *	USD	6.780	304,143.51	1.39
				<b>304,143.51</b>	<b>1.39</b>

The notes are an integral part of these financial statements



## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS A DIVERSIFIED

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>EUROPE</b>					
1,954.38373	HENDERSON EUROPEAN ABSOLUTE RETURN FUND LTD *	USD	157.470	307,756.80	1.40
				<b>307,756.80</b>	<b>1.40</b>
<b>NORTH AMERICA</b>					
310.60379	SUNOVA OFFSHORE LTD B1 SERIES 5 *	USD	1,040.153	323,075.46	1.47
287.5152	SUNOVA OFFSHORE LTD B1 SERIES 5 - IN REDEMPTION *	USD	1,040.153	299,059.80	1.36
163.73752	SUNOVA OFFSHORE LTD CLASS -B1- SERIES 2-0401 *	USD	1,174.969	192,386.48	0.88
				<b>814,521.74</b>	<b>3.71</b>
<b>UNITED STATES OF AMERICA</b>					
7,719.37383	CANDLEWOOD OFFSHORE FUND LTD -B- *	USD	127.052	980,762.96	4.47
46,411.92	CCM SMALL CAP VALUE FUND LTD - IN SUBSCRIPTION *	USD	1.000	46,411.92	0.21
2,475.3024	COGHILL CAPITAL MANAGEMENT SMALL CAP VALUE -B5- *	USD	107.579	266,290.55	1.21
4,321.81867	COGHILL CAPITAL MANAGEMENT SMALL CAP VALUE FUND -B1- *	USD	160.198	692,348.00	3.15
16.17183	SQUARE ONE FUND -B- *	USD	15,282.330	247,143.36	1.13
				<b>2,232,956.79</b>	<b>10.17</b>
<b>WORLD</b>					
1,766.40953	ANOVA FUND LTD -B- *	USD	94.457	166,850.45	0.76
1,049.73574	ANOVA FUND LTD SERIES -A- IN REDEMPTION *	USD	145.244	152,468.23	0.69
2,973.65123	EPSILON GLOBAL ACTIVE VALUE FUND II LTD *	USD	122.900	365,461.72	1.66
257.844	FRAMEWORK ASSET INVESTORS FUND CLASS -B- SERIES 4 *	USD	1,019.986	262,997.35	1.20
588.68271	GLC GESTALT EUROPE FUND -A11- *	USD	168.257	99,050.04	0.45
205.03352	GLC GESTALT EUROPE FUND -A11- *	USD	168.257	34,498.34	0.16
375.02	GLC GESTALT EUROPE FUND -A12- *	USD	168.286	63,110.68	0.29
556.25	GLC GESTALT EUROPE FUND -A14- *	USD	168.319	93,627.28	0.43
881.31	GLC GESTALT EUROPE FUND -A16- *	USD	168.319	148,340.91	0.68
2,132.892	GLC GESTALT EUROPE FUND LTD -A1- *	USD	168.319	359,005.24	1.64
507.4783	GRT TOPAZ OFFSHORE PARTNERS LTD-B4- *	USD	997.369	506,143.22	2.31
148,293.96676	JUPITER HYDE PARK HEDGE FUND LTD *	USD	2.370	351,456.70	1.60
310.69657	KBC CONVERTIBLE OPPORTUNITIES -A-FUND - DISTRIBUTION *	USD	1,265.700	393,248.65	1.79
62.74118	KINGSFORD INTERNATIONAL FUND - RED SHS - SERIES 13/10-02*	USD	931.520	58,444.66	0.27
230.2788	KINGSFORD INTERNATIONAL FUND - RED SHS 13/10-02 *	USD	931.520	214,509.31	0.98
1,718.96	METAGE GLOBAL STRATEGIES FUND LTD - DISTRIBUTION *	USD	106.720	183,447.41	0.84
5,981.19	METAGE GLOBAL STRATEGIES FUND LTD - DISTRIBUTION *	USD	106.720	638,312.59	2.91
60.22025	MOORE GLOBAL FIXED INCOME FUND SERIES A *	USD	4,774.400	287,515.59	1.31
2,939.89259	PD STAR FUND *	USD	100.830	296,429.37	1.35
388,777.35	POLAR CAP MKT NEUT ABSOLUTE RETURN FUND A- IN SUBSCRIPTION *	USD	1.000	388,777.35	1.77
6,196.13983	TAMARACK INTERNATIONAL LTD - IN REDEMPTION *	USD	115.623	716,416.26	3.26
274.63445	THE CAPITAL FUND LTD *	USD	1,492.289	409,833.97	1.86

The notes are an integral part of these financial statements

## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS A DIVERSIFIED

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
595.54827	THE CAPITAL FUND LTD *	USD	1,492.289	888,730.15	4.05
2,289.32727	THE CARROUSEL FUND LTD - SERIES 06 *	USD	122.282	279,943.28	1.28
898.2352	URSUS OFFSHORE LTD CLASS -B- RED SHS *	USD	1,051.499	944,493.51	4.30
250.1489	VICTORY OVERSEAS FUND LTD -A- *	USD	1,278.990	319,937.94	1.46
206.2752	VICTORY OVERSEAS FUND LTD -A2- *	USD	1,011.830	208,715.43	0.95
4,881.62698	WF ASIA FUND LIMITED -S1- *	USD	118.126	576,648.53	2.63
				<b>9,408,414.16</b>	<b>42.88</b>
	<b>TOTAL OPEN-ENDED INVESTMENT FUNDS</b>			<b>13,067,793.00</b>	<b>59.55</b>
	<b>PARTNERSHIP</b>				
	<b>UNITED STATES OF AMERICA</b>				
429.74	NUMERIC SM CAP AGGRES OFFSH MKT NEUT - FD-I *	USD	1,027.425	441,525.71	2.01
				<b>441,525.71</b>	<b>2.01</b>
	<b>WORLD</b>				
118.70157	NUMERIC EUROPEAN LONG SHORT LTD - IN REDEMPTION *	USD	1,131.394	134,298.30	0.61
				<b>134,298.30</b>	<b>0.61</b>
	<b>TOTAL PARTNERSHIP</b>			<b>575,824.01</b>	<b>2.62</b>
	<b>TOTAL OTHER TRANSFERABLE SECURITIES</b>			<b>23,859,058.08</b>	<b>108.72</b>
	<b>TOTAL INVESTMENTS IN SECURITIES</b>			<b>26,838,457.02</b>	<b>122.30</b>
	Cash			(5,012,636.24)	(22.84)
	Other net assets/(liabilities)			122,949.86	0.54
	<b>TOTAL NET ASSETS</b>			<b>21,948,770.64</b>	<b>100.00</b>

\* Pooling (note 1)

The notes are an integral part of these financial statements

**GEOGRAPHICAL CLASSIFICATION  
OF THE INVESTMENTS IN SECURITIES**

December 31, 2002  
(in %)

<b>COUNTRIES</b>	<b>% OF NET ASSETS</b>
ASIA	2.02
EUROPE	1.40
JAPAN	2.80
NORTH AMERICA	3.71
UNITED KINGDOM	2.22
UNITED STATES OF AMERICA	16.41
WORLD	93.74
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>122.30</b>
OTHER NET ASSETS/(LIABILITIES)	(22.30)
<b>TOTAL</b>	<b>100.00</b>

**ECONOMIC CLASSIFICATION  
OF THE INVESTMENTS IN SECURITIES**  
December 31, 2002  
(in %)

<b>ECONOMIC SECTORS</b>	<b>% OF NET ASSETS</b>
INVESTMENT FUNDS	122.30
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>122.30</b>
OTHER NET ASSETS/(LIABILITIES)	(22.30)
<b>TOTAL</b>	<b>100.00</b>

**STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

**ASSETS**

Portfolio:	(note 2)	
- Cost		43,975,095.34
- Net unrealised result		1,621,439.95
		<b>45,596,535.29</b>

Other assets:		
- Debtors for investments sold		145,786.08
- Equalization amounts receivable	(note 6)	89,699.77
- Formation/reorganisation expenses, net	(note 2)	8,249.02
		<b>45,840,270.16</b>

**LIABILITIES**

Bank overdraft:		
- Cash at sight	(note 7)	9,219,817.81
Other liabilities:		
- Taxes and expenses payable		204,951.60
- Sundry creditors	(note 8)	656,808.47
		<b>10,081,577.88</b>

<b>NET ASSETS</b>		<b>35,758,692.28</b>
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<b>Net asset value per share</b>		<b>108,921.84</b>
<b>Shares outstanding</b>		<b>328.29682</b>

The notes are an integral part of these financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>19,390,958.09</b>
<b>INCOME</b>	
Commissions on redemptions of shares	2.94
	<b>2.94</b>
<b>EXPENSES</b>	
Bank interest, net	49,014.36
Fees:	
- Investment advisory fee (note 4)	522,418.00
- Custodian fee and safekeeping charges	100,103.38
Other expenses:	
- Annual tax (note 5)	15,668.01
- Amortisation of formation/reorganisation expenses (note 2)	1,720.00
- Audit and legal fees	14,969.65
- Printing and publishing fees	623.63
- Administration and other expenses	6,083.89
	<b>710,600.92</b>
<b>NET RESULT ON INVESTMENTS</b>	<b>(710,597.98)</b>
Net realised result on:	
- Sales of investments (note 2)	775,736.97
<b>NET REALISED RESULT</b>	<b>65,138.99</b>
Change in net unrealised appreciation/(depreciation) on:	
- Investments	48,142.37
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>113,281.36</b>
<b>MOVEMENTS IN CAPITAL</b>	
Subscriptions of shares	16,410,871.47
Redemptions of shares	(156,418.64)
	<b>16,254,452.83</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>35,758,692.28</b>

The notes are an integral part of these financial statements

**STATISTICAL INFORMATION**

Year ended December 31, 2002

**SHARES**

Shares outstanding at the beginning of the year	179.14900
Subscriptions of shares	150.58353
Redemptions of shares	(1.43571)
<b>Shares outstanding at the end of the year</b>	<b>328.29682</b>

**NET ASSET VALUE PER SHARE**

USD

Highest	110,522.20 (05.31.02)
Lowest	106,905.51 (10.31.02)
At the end of the year	108,921.84

**CHANGES IN THE NUMBER OF SHARES,  
OF NET ASSETS AND  
OF NET ASSET VALUE PER SHARE**

Date	Number of shares outstanding	Net assets (in USD)	Net asset value Per share (in USD)
* 12.27.00	115.00000	11,500,000.00	100,000.00
12.31.01	179.14900	19,390,958.09	108,239.28
12.31.02	328.29682	35,758,692.28	108,921.84

\* first valuation



**STATEMENT OF INVESTMENTS IN SECURITIES  
AND OTHER NET ASSETS**

December 31, 2002  
(in USD)

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET</b>					
<b>OPEN-ENDED INVESTMENT FUNDS</b>					
<b>UNITED KINGDOM</b>					
11,713.90662	ALPHAGEN AVIOR FUND LTD -A- *	USD	111.406	1,304,994.79	3.64
6,700.19566	HENDERSON UK EQUITY MARKET NEUTRAL FUND LTD -A-*	USD	105.270	705,329.59	1.97
				<b>2,010,324.38</b>	<b>5.61</b>
<b>WORLD</b>					
10,051.16241	ALPHAGEN CEPHEUS FUND LTD -A- RED SHS *	USD	111.780	1,123,518.93	3.14
678.36946	BRISTOL FUND LTD - PTG SHS *	USD	644.387	437,132.66	1.22
712.692	CQS CAPITAL STRUCTURE ARBITRAGE FEEDER FUND LTD -B- RED SHS *	USD	997.700	711,052.66	1.99
1,655.7098	CSFB CONVERTIBLE & QUANTITATIVE STRATEGIES FEEDER FUND LTD *	USD	1,689.403	2,797,161.20	7.83
6,436.73082	ERISWELL MULTI STRATEGY FD INC -A- *	USD	99.670	641,550.25	1.79
356.346	THE DRAKE ABSOLUTE RETURN FUND LTD CLASS -B- SERIES 1-C - IN REDEMPTION *	USD	1,079.123	384,541.15	1.08
141.74731	THE DRAKE ABSOLUTE RETURN FUND LTD CLASS -B- SERIES 1-E *	USD	1,073.879	152,219.51	0.43
				<b>6,247,176.36</b>	<b>17.48</b>
	<b>TOTAL OPEN-ENDED INVESTMENT FUNDS</b>			<b>8,257,500.74</b>	<b>23.09</b>
	<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET</b>			<b>8,257,500.74</b>	<b>23.09</b>
<b>OTHER TRANSFERABLE SECURITIES</b>					
<b>CLOSE-ENDED INVESTMENT FUNDS</b>					
<b>ASIA</b>					
53,737.38018	ARTRADIS BARRACUDA FUND *	USD	10.691	574,500.95	1.61
				<b>574,500.95</b>	<b>1.61</b>
<b>UNITED STATES OF AMERICA</b>					
9,977.60461	GRACIE CAPITAL INTERNATIONAL LTD SERIES -A- IN REDEMPTION *	USD	167.390	1,670,151.23	4.67
6,118.5181	JEMMCO INTERNATIONAL FD -A- RED SHS *	USD	200.526	1,226,922.74	3.43
638.72126	LONGACRE INTERNATIONAL LTD SERIES 05/99 *	USD	1,480.080	945,358.57	2.64
				<b>3,842,432.54</b>	<b>10.74</b>

The notes are an integral part of these financial statements

## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS B ARBITRAGE

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>WORLD</b>					
1.5154	AQR GLOBAL ASSET ALLOCATION OFFSHORE FUND CLASS -B- SERIES 12-02 *	USD	119,437.247	180,995.36	0.51
9.0724	AQR GLOBAL ASSET ALLOCATION OFFSHORE FUND CLASS -B- SERIES 10-02 *	USD	119,447.801	1,083,678.68	3.03
926.4996	ARX GLOBAL HIGH YIELD SECURITIES OVERSEAS FUND LTD -A6- *	USD	1,143.418	1,059,375.94	2.96
213.8076	ARX GLOBAL HIGH YIELD SECURITIES OVERSEAS FUND LTD -A12- *	USD	1,018.000	217,656.13	0.61
7,126.92	ASTIN VEGA FEEDER FUND LTD -A- *	USD	98.790	704,068.42	1.97
427,615.2	CONDOR OFFSHORE INVESTORS -B- FUND - IN SUBSCRIPTION *	USD	1.000	427,615.20	1.20
1,211,576.4	DE SHAW COMPOSITE INTL FUND 1 ANNUAL UNIT - IN SUBSCRIPTION *	USD	1.000	1,211,576.40	3.39
264.28044	JMG TRITON OFFSHORE FUND CLASS -D- SERIES 1 *	USD	3,303.400	873,024.03	2.44
4,071.41055	LAKESHORE INTERNATIONAL LTD *	USD	294.050	1,197,198.27	3.35
170.26924	LYDIAN OVERSEAS PARTNERS LTD CLASS -I- SERIES 1 - IN REDEMPTION *	USD	1,162.820	197,992.48	0.55
650.11051	LYDIAN OVERSEAS PARTNERS LTD CLASS -B- SERIES 1 - IN REDEMPTION *	USD	1,509.650	981,439.33	2.74
726.63938	PIMCO GLOBAL RELATIVE VALUE OFFSHORE FUND II LTD - CLASS -B- SERIES 5 *	USD	963.960	700,451.30	1.96
0.24944	SILVER POINT CAPITAL OFFSHORE CLASS -D- SERIES 23-B FUND *	USD	10,180.000	2,539.32	0.01
88.83705	SILVER POINT CAPITAL OFFSHORE -B23- FUND *	USD	10,362.751	920,596.34	2.57
691,311.24	SILVERBACK OFFSHORE FUND -B- IN SUBSCRIPTION *	USD	1.000	691,311.24	1.93
				<b>10,449,518.44</b>	<b>29.22</b>
	<b>TOTAL CLOSE-ENDED INVESTMENT FUNDS</b>			<b>14,866,451.93</b>	<b>41.57</b>
<b>OPEN-ENDED INVESTMENT FUNDS</b>					
<b>UNITED STATES OF AMERICA</b>					
192,426.84	CCM SMALL CAP VALUE FUND LTD - IN SUBSCRIPTION *	USD	1.000	192,426.84	0.54
10,262.7648	COGHILL CAPITAL MANAGEMENT SMALL CAP VALUE FUND -B5-*	USD	107.579	1,104,057.97	3.09
67.04949	SQUARE ONE FUND -B- *	USD	15,282.330	1,024,672.48	2.87
				<b>2,321,157.29</b>	<b>6.50</b>
<b>WORLD</b>					
7,323.64886	ANOVA FUND LTD -B- *	USD	94.457	691,772.82	1.93
4,352.2727	ANOVA FUND LTD SERIES -A- IN REDEMPTION *	USD	145.244	632,143.23	1.77
12,328.95154	EPSILON GLOBAL ACTIVE VALUE FUND II LTD *	USD	122.900	1,515,228.12	4.23
1,069.038	FRAMEWORK ASSET INVESTORS FUND CLASS -B- SERIES 4 *	USD	1,019.986	1,090,404.13	3.05
850.08234	GLC GESTALT EUROPE FUND -A11- *	USD	168.257	143,032.38	0.40
3,653.971	GLC GESTALT EUROPE FUND -A16- *	USD	168.319	615,031.06	1.72
1,288.16819	KBC CONVERTIBLE OPPORTUNITIES-A-FUND - DISTRIBUTION *	USD	1,265.700	1,630,434.48	4.56
260.12901	KINGSFORD INTERNATIONAL FUND - REDSHS SERRIES 13/10-02 *	USD	931.520	242,315.37	0.68
7,126.92	METAGE GLOBAL STRATEGIES FUND LTD - DISTRIBUTION *	USD	106.720	760,584.90	2.13
249.6771	MOORE GLOBAL FIXED INCOME FUND SERIES A *	USD	4,774.400	1,192,058.36	3.33

The notes are an integral part of these financial statements

## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS B ARBITRAGE

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
12,188.98596	PD STAR FUND *	USD	100.830	1,229,015.45	3.44
25,689.5989	TAMARACK INTERNATIONAL LTD - IN REDEMPTION *	USD	115.623	2,970,308.49	8.31
1,138.65232	THE CAPITAL FUND LTD *	USD	1,492.289	1,699,198.33	4.75
9,491.69983	THE CARROUSEL FUND LTD - SERIES 06 *	USD	122.282	1,160,663.08	3.25
1,037.13362	VICTORY OVERSEAS FUND LTD -A- *	USD	1,278.990	1,326,483.53	3.71
855.2304	VICTORY OVERSEAS FUND LTD -A2- *	USD	1,011.830	865,347.77	2.42
				<b>17,764,021.50</b>	<b>49.68</b>
	<b>TOTAL OPEN-ENDED INVESTMENT FUNDS</b>			<b>20,085,178.79</b>	<b>56.18</b>
	<b>PARTNERSHIP</b>				
	<b>UNITED STATES OF AMERICA</b>				
1,781.73	NUMERIC SM CAP AGGRES OFFSH MKT NEUT - FD - I *	USD	1,027.425	1,830,594.32	5.12
				<b>1,830,594.32</b>	<b>5.12</b>
	<b>WORLD</b>				
492.14447	NUMERIC EUROPEAN LONG SHORT LTD - IN REDEMPTION *	USD	1,131.394	556,809.51	1.56
				<b>556,809.51</b>	<b>1.56</b>
	<b>TOTAL PARTNERSHIP</b>			<b>2,387,403.83</b>	<b>6.68</b>
	<b>TOTAL OTHER TRANSFERABLE SECURITIES</b>			<b>37,339,034.55</b>	<b>104.43</b>
	<b>TOTAL INVESTMENTS IN SECURITIES</b>			<b>45,596,535.29</b>	<b>127.52</b>
	Cash			(9,219,817.81)	(25.78)
	Other net assets/(liabilities)			(618,025.20)	(1.74)
	<b>TOTAL NET ASSETS</b>			<b>35,758,692.28</b>	<b>100.00</b>

\* Pooling (note 1)

The notes are an integral part of these financial statements

**GEOGRAPHICAL CLASSIFICATION  
OF THE INVESTMENTS IN SECURITIES**

December 31, 2002  
(in %)

<b>COUNTRIES</b>	<b>% OF NET ASSETS</b>
ASIA	1.61
UNITED KINGDOM	5.61
UNITED STATES OF AMERICA	22.36
WORLD	97.94
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>127.52</b>
<b>OTHER NET ASSETS/(LIABILITIES)</b>	<b>(27.52)</b>
<b>TOTAL</b>	<b>100.00</b>

**ECONOMIC CLASSIFICATION  
OF THE INVESTMENTS IN SECURITIES**

December 31, 2002

(in %)

<b>ECONOMIC SECTORS</b>	<b>% OF NET ASSETS</b>
INVESTMENT FUNDS	127.52
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>127.52</b>
OTHER NET ASSETS/(LIABILITIES)	(27.52)
<b>TOTAL</b>	<b>100.00</b>

# **STATEMENT OF NET ASSETS**

December 31, 2002

(in USD)

## **ASSETS**

Portfolio:	(note 2)	
- Cost		17,469,018.45
- Net unrealised result		558,345.32
		<b>18,027,363.77</b>

Other assets:		
- Debtors for investments sold		169,643.95
- Equalization amounts receivable	(note 6)	19,938.75
- Formation/reorganisation expenses, net	(note 2)	4,290.28
		<b>18,221,236.75</b>

## **LIABILITIES**

Bank overdraft:		
- Cash at sight	(note 7)	3,366,929.62
Other liabilities:		
- Taxes and expenses payable		86,580.48
- Sundry creditors	(note 8)	90,167.90
		<b>3,543,678.00</b>

<b>NET ASSETS</b>		<b>14,677,558.75</b>
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<b>Net asset value per share</b>	<b>100,558.38</b>
<b>Shares outstanding</b>	<b>145.96058</b>

The notes are an integral part of these financial statements

**STATEMENT OF CHANGES IN NET ASSETS**  
Year ended December 31, 2002  
(in USD)

<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>17,584,686.19</b>
<b>INCOME</b>	
Commission on redemption of shares	2.13
	<b>2.13</b>
<b>EXPENSES</b>	
Bank interest, net	40,568.74
Fees:	
- Investment advisory fee (note 4)	273,030.39
- Custodian fee and safekeeping charges	52,311.75
Other expenses:	
- Annual tax (note 5)	7,789.15
- Amortisation of formation/reorganisation expenses (note 2)	1,210.00
- Audit and legal fees	2,875.76
- Printing and publishing fees	571.50
- Administration and other expenses	4,018.40
	<b>382,375.69</b>
<b>NET RESULT ON INVESTMENTS</b>	<b>(382,373.56)</b>
Net realised result on:	
- Sales of investments (note 2)	(51,538.22)
<b>NET REALISED RESULT</b>	<b>(433,911.78)</b>
Change in net unrealised appreciation/(depreciation) on:	
- Investments	107,898.69
<b>NET INCREASE/(DECREASE) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>(326,013.09)</b>
<b>MOVEMENTS IN CAPITAL</b>	
Subscriptions of shares	348,741.93
Redemptions of shares	(2,929,856.28)
	<b>(2,581,114.35)</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>14,677,558.75</b>

The notes are an integral part of these financial statements

**STATISTICAL INFORMATION**

Year ended December 31, 2002

**SHARES**

Shares outstanding at the beginning of the year	171.30406
Subscriptions of shares	3.42971
Redemptions of shares	(28.77319)
<b>Shares outstanding at the end of the year</b>	<b>145.96058</b>

**NET ASSET VALUE PER SHARE**

USD

Highest	103,024.16 (05.31.02)
Lowest	97,877.06 (10.31.02)
At the end of the year	100,558.38



**CHANGES IN THE NUMBER OF SHARES,  
OF NET ASSETS AND  
OF NET ASSET VALUE PER SHARE**

Date	Number of shares outstanding	Net assets (in USD)	Net asset value per share (in USD)
* 12.27.00	40.00000	4,000,000.00	100,000.00
12.31.01	171.30406	17,584,686.19	102,651.89
12.31.02	145.96058	14,677,558.75	100,558.38
* first valuation			

**STATEMENT OF INVESTMENTS IN SECURITIES  
AND OTHER NET ASSETS**

December 31, 2002  
(in USD)

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET</b>					
<b>OPEN-ENDED INVESTMENT FUNDS</b>					
<b>JAPAN</b>					
3,304.65522	HENDERSON JAPAN ABSOLUTE RETURN FUND *	USD	125.080	413,346.27	2.82
				<b>413,346.27</b>	<b>2.82</b>
<b>UNITED KINGDOM</b>					
1,896.91153	ALPHAGEN AVIOR FUND LTD -A- *	USD	111.406	211,326.56	1.44
1,085.00766	HENDERSON UK EQUITY MARKET NEUTRAL FUND LTD -A- *	USD	105.270	114,218.75	0.78
				<b>325,545.31</b>	<b>2.22</b>
<b>WORLD</b>					
1,627.65522	ALPHAGEN CEPHEUS FUND LTD -A- RED SHS *	USD	111.780	181,938.96	1.24
109.85292	BRISTOL FUND LTD - PTG SHS *	USD	644.387	70,787.82	0.48
115.411	CQS CAPITAL STRUCTURE ARBITRAGE FEEDER FUND LTD -B- RED SHS *	USD	997.700	115,145.53	0.78
268.1202	CSFB CONVERTIBLE & QUANTITATIVE STRATEGIES FEEDER FUND LTD *	USD	1,689.403	452,963.08	3.09
1,042.34303	ERISWELL MULTI STRATEGY FD INC -A- *	USD	99.670	103,890.53	0.71
2,228.12801	GLG GLOBAL MACRO FUND -A- *	USD	112.350	250,330.18	1.71
22.95409	THE DRAKE ABSOLUTE RETURN FUND LTD CLASS -B- SERIES 1-E *	USD	1,073.879	24,649.92	0.17
57.7055	THE DRAKE ABSOLUTE RETURN FUND LTDCLASS -B- SERIES 1-C- IN REDEMPTION *	USD	1,079.123	62,271.33	0.42
				<b>1,261,977.35</b>	<b>8.60</b>
<b>TOTAL OPEN-ENDED INVESTMENT FUNDS</b>				<b>2,000,868.93</b>	<b>13.64</b>
<b>TOTAL TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE OR DEALT IN ON ANOTHER REGULATED MARKET</b>				<b>2,000,868.93</b>	<b>13.64</b>
<b>OTHER TRANSFERABLE SECURITIES</b>					
<b>CLOSE-ENDED INVESTMENT FUNDS</b>					
<b>ASIA</b>					
8,702.05472	ARTRADIS BARRACUDA FUND *	USD	10.691	93,032.79	0.63
				<b>93,032.79</b>	<b>0.63</b>

The notes are an integral part of these financial statements

## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS C DIVERSIFIED

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>UNITED STATES OF AMERICA</b>					
1,615.74049	GRACIE CAPITAL INTERNATIONAL LTD SERIES -A- IN REDEMPTION *	USD	167.390	270,458.80	1.84
990.81269	JEMMCO INTERNATIONAL FD -A- RED SHS *	USD	200.526	198,683.81	1.35
103.43242	LONGACRE INTERNATIONAL LTD SERIES 05/99 *	USD	1,480.080	153,088.26	1.04
				<b>622,230.87</b>	<b>4.23</b>
<b>WORLD</b>					
0.24539	AQR GLOBAL ASSET ALLOCATION OFFSHORE FUND CLASS -B- SERIES 12-02 *	USD	119,437.247	29,309.79	0.20
1.46915	AQR GLOBAL ASSET ALLOCATION OFFSHORE FUND CLASS -B- SERIES 10-02 *	USD	119,447.801	175,487.36	1.20
150.0343	ARX GLOBAL HIGH YIELD SECURITIES OVERSEAS FUND LTD -A6- *	USD	1,143.418	171,551.85	1.17
34.6233	ARX GLOBAL HIGH YIELD SECURITIES OVERSEAS FUND LTD -A12- *	USD	1,018.000	35,246.51	0.24
1,154.11	ASTIN VEGA FEEDER FUND LTD -A- *	USD	98.790	114,014.52	0.78
44.2068	ATLAS CAPITAL OFFSHORE FUND -D1102- *	USD	10,005.330	442,303.62	3.01
69,246.6	CONDOR OFFSHORE INVESTORS -B- FUND - IN SUBSCRIPTION *	USD	1.000	69,246.60	0.47
140,658	CONDOR OFFSHORE INVESTORS -B- FUND - IN SUBSCRIPTION *	USD	1.000	140,658.00	0.96
196,198.7	DE SHAW COMPOSITE INTL FUND 1 ANNUAL UNIT - IN SUBSCRIPTION *	USD	1.000	196,198.70	1.34
321,504	DE SHAW COMPOSITE INTL FUND 1 ANNUAL UNIT - IN SUBSCRIPTION *	USD	1.000	321,504.00	2.19
602.82	EPIC DISTRESSED DEBT OPPORTUNITY FUND CLASS -B- *	USD	970.847	585,245.98	3.99
42.7967	JMG TRITON OFFSHORE FUND CLASS -D - SERIES 1 *	USD	3,303.400	141,374.64	0.96
659.31084	LAKESHORE INTERNATIONAL LTD *	USD	294.050	193,870.35	1.32
27.57284	LYDIAN OVERSEAS PARTNERS LTD CLASS -B- SERIES 1 - IN REDEMPTION *	USD	1,162.820	32,062.25	0.22
105.27676	LYDIAN OVERSEAS PARTNERS LTD CLASS - B- SERIES 1 - IN REDEMPTION *	USD	1,509.650	158,931.06	1.08
117.66959	PIMCO GLOBAL RELATIVE VALUE OFFSHORE FUND II LTD CLASS -B- SERIES 5 *	USD	963.960	113,428.78	0.77
2,411.28	RAZOR MACRO FUND USD - CLASS A1 *	USD	104.840	252,798.59	1.72
0.15693	SILVER POINT CAPITAL OFFSHORE SERIES 23-B FUND *	USD	10,180.000	1,597.64	0.01
70.826	SILVER POINT CAPITAL OFFSHORE FUND -B23- *	USD	10,362.751	733,952.29	5.00
111,948.67	SILVERBACK OFFSHORE FUND -B- IN SUBSCRIPTION *	USD	1.000	111,948.67	0.76
30.68353	STONEHILL OFFSHORE PARTNERS LIMITED CLASS -A- *	USD	24,534.582	752,807.78	5.13
442.068	THE ELKHORN FUND LTD -B1- *	USD	966.069	427,068.19	2.91
5,224.44	TIGER TECHNOLOGY LTD -B1- 01 JUL 02 *	USD	111.970	584,980.54	3.99
3,161.91211	TREMBLANT PARTNERS LTD -A1- *	USD	114.220	361,153.75	2.46
				<b>6,146,741.46</b>	<b>41.88</b>
	<b>TOTAL CLOSE-ENDED INVESTMENT FUNDS</b>			<b>6,862,005.12</b>	<b>46.74</b>
<b>OPEN-ENDED INVESTMENT FUNDS</b>					
<b>ASIA</b>					
30,141	WHARTON ASIAN RENAISSANCE FUND COMPANY LTD *	USD	6.780	204,355.98	1.39
				<b>204,355.98</b>	<b>1.39</b>

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## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS C DIVERSIFIED

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
<b>EUROPE</b>					
1,313.16299	HENDERSON EUROPEAN ABSOLUTE RETURN FUND LTD *	USD	157.470	206,783.77	1.41
				<b>206,783.77</b>	<b>1.41</b>
<b>NORTH AMERICA</b>					
208.69668	SUNOVA OFFSHORE LTD B1 SERIES 5 *	USD	1,040.153	217,076.48	1.48
193.18331	SUNOVA OFFSHORE LTD B1 SERIES 5 - IN REDEMPTION *	USD	1,040.153	200,940.20	1.37
110.01629	SUNOVA OFFSHORE LTD CLASS -B1- SERIES 2-0401 *	USD	1,174.969	129,265.71	0.88
				<b>547,282.39</b>	<b>3.73</b>
<b>UNITED STATES OF AMERICA</b>					
5,186.69688	CANDLEWOOD OFFSHORE FUND LTD -B- *	USD	127.052	658,980.93	4.49
31,160.97	CCM SMALL CAP VALUE FUND LTD - IN SUBSCRIPTION *	USD	1.000	31,160.97	0.21
1,661.9184	COGHILL CAPITAL MANAGEMENT SMALL CAP VALUE -B5- *	USD	107.579	178,787.51	1.22
2,903.85774	COGHILL CAPITAL MANAGEMENT SMALL CAP VALUE -B1- *	USD	160.198	465,193.07	3.17
10.85777	SQUARE ONE FUND -B- *	USD	15,282.330	165,932.09	1.13
				<b>1,500,054.57</b>	<b>10.22</b>
<b>WORLD</b>					
1,185.96762	ANOVA FUND LTD -B- *	USD	94.457	112,023.41	0.76
704.79273	ANOVA FUND LTD SERIES -A- IN REDEMPTION *	USD	145.244	102,367.19	0.70
1,996.50988	EPSILON GLOBAL ACTIVE VALUE FUND II LTD *	USD	122.900	245,371.05	1.67
173.1165	FRAMEWORK ASSET INVESTORS FUND CLASS -B- SERIES 4 *	USD	1,019.986	176,576.46	1.20
395.53969	GLC GESTALT EUROPE FUND -A11- *	USD	168.257	66,552.36	0.45
137.65954	GLC GESTALT EUROPE FUND -A11- *	USD	168.257	23,162.19	0.16
251.978	GLC GESTALT EUROPE FUND -A12- *	USD	168.286	42,404.47	0.29
373.748	GLC GESTALT EUROPE FUND -A14- *	USD	168.319	62,908.77	0.43
591.712	GLC GESTALT EUROPE FUND -A16- *	USD	168.319	99,596.10	0.68
1,433.104	GLC GESTALT EUROPE FUND LTD -A1- *	USD	168.319	241,217.92	1.64
340.97793	GRT TOPAZ OFFSHORE PARTNERS LTD-B4- *	USD	997.369	340,080.88	2.32
99,639.6693	JUPITER HYDE PARK HEDGE FUND LTD *	USD	2.370	236,146.01	1.61
208.60172	KBC CONVERTIBLE OPPORTUNITIES-A-FUND - DISTRIBUTION *	USD	1,265.700	264,027.20	1.80
42.12443	KINGSFORD INTERNATIONAL FUND - RED SHS SERIES 13/10-02*	USD	931.520	39,239.75	0.27
154.7258	KINGSFORD INTERNATIONAL FUND - RED SHS SERIES 13/10-02 *	USD	931.520	144,130.18	0.98
1,154.11	METAGE GLOBAL STRATEGIES FUND LTD - DISTRIBUTION *	USD	106.720	123,166.61	0.84
4,018.8	METAGE GLOBAL STRATEGIES FUND LTD - DISTRIBUTION *	USD	106.720	428,886.33	2.92
40.43188	MOORE GLOBAL FIXED INCOME FUND SERIES A *	USD	4,774.400	193,038.01	1.32
1,973.84432	PD STAR FUND *	USD	100.830	199,022.71	1.36
261,222	POLAR CAP MKT NEUT ABSOLUTE RETURN FUND -A- IN SUBSCRIPTION *	USD	1.000	261,222.00	1.78
4,160.0892	TAMARACK INTERNATIONAL LTD - IN REDEMPTION *	USD	115.623	481,001.99	3.28

The notes are an integral part of these financial statements

## A.R.T. - ABSOLUTE RETURN TARGET FUND

## CLASS C DIVERSIFIED

Number	Description	Ccy	Value per security	Market value (note 2)	% of net assets
584.5423	THE CAPITAL FUND LTD *	USD	1,492.289	872,306.08	5.95
1,537.05467	THE CARROUSEL FUND LTD - SERIES 06 *	USD	122.282	187,953.96	1.28
603.52999	URSUS OFFSHORE LTD CLASS -B- RED SHS *	USD	1,051.499	634,611.26	4.32
167.9500	VICTORY OVERSEAS FUND LTD -A- *	USD	1,278.990	214,806.38	1.46
138.4932	VICTORY OVERSEAS FUND LTD -A2- *	USD	1,011.830	140,131.57	0.95
3,279.99654	WF ASIA FUND LIMITED -S1- *	USD	118.126	387,453.85	2.64
				<b>6,319,404.69</b>	<b>43.06</b>
	<b>TOTAL OPEN-ENDED INVESTMENT FUNDS</b>			<b>8,777,881.40</b>	<b>59.81</b>
	<b>PARTNERSHIP</b>				
	<b>UNITED STATES OF AMERICA</b>				
288.5275	NUMERIC SM CAP AGGRES OFFSH MKT *	USD	1,027.425	296,440.42	2.02
				<b>296,440.42</b>	<b>2.02</b>
	<b>WORLD</b>				
79.69625	NUMERIC EUROPEAN LONG SHORT LTD NEUT -FD-I *	USD	1,131.394	90,167.90	0.61
				<b>90,167.90</b>	<b>0.61</b>
	<b>TOTAL PARTNERSHIP</b>			<b>386,608.32</b>	<b>2.63</b>
	<b>TOTAL OTHER TRANSFERABLE SECURITIES</b>			<b>16,026,494.84</b>	<b>109.18</b>
	<b>TOTAL INVESTMENTS IN SECURITIES</b>			<b>18,027,363.77</b>	<b>122.82</b>
	Cash			(3,366,929.62)	(22.94)
	Other net assets/(liabilities)			17,124.60	0.12
	<b>TOTAL NET ASSETS</b>			<b>14,677,558.75</b>	<b>100.00</b>

\* Pooling (note 1)

The notes are an integral part of these financial statements

**GEOGRAPHICAL CLASSIFICATION  
OF THE INVESTMENTS IN SECURITIES**

December 31, 2002  
(in %)

<b>COUNTRIES</b>	<b>% OF NET ASSETS</b>
ASIA	2.02
EUROPE	1.41
JAPAN	2.82
NORTH AMERICA	3.73
UNITED KINGDOM	2.22
UNITED STATES OF AMERICA	16.47
WORLD	94.15
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>122.82</b>
OTHER NET ASSETS/(LIABILITIES)	(22.82)
<b>TOTAL</b>	<b>100.00</b>

**ECONOMIC CLASSIFICATION  
OF THE INVESTMENTS IN SECURITIES**  
December 31, 2002  
(in %)

<b>ECONOMIC SECTORS</b>	<b>% OF NET ASSETS</b>
INVESTMENT FUNDS	122.82
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>122.82</b>
OTHER NET ASSETS/(LIABILITIES)	(22.82)
<b>TOTAL</b>	<b>100.00</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2002

**NOTE 1 - GENERAL**

ABSOLUTE RETURN TARGET FUND (The "Fund") is a Luxembourg incorporated investment company with variable capital (société d'investissement à capital variable) which was set up for an unlimited duration in Luxembourg in the form of a public limited company (société anonyme) on December 20, 2000, in accordance with the provisions of Part II of the law of March 30, 1988 on undertakings for collective investment and the law of August 10, 1915 on commercial companies.

The Articles of Incorporation were published in the Mémorial C, Recueil spécial des Sociétés et Associations (the «Mémorial») on January 29, 2001.

The Fund is registered at the Luxembourg Register of Commerce under the number B 79 444.

The Fund created under the co-sponsorship of Partners Advisers S.A. and Trendtrust S.A., invests mainly as a "Fund of Funds" in Hedge Funds.

The Fund's main objective is to achieve medium and long-term growth of its assets with a risk-adjusted performance better than the market and while protecting the invested capital. The Fund pursues its objective by investing most of its assets in securities of other open-ended undertakings for collective investment ("UCI"), namely, mutual funds ("fonds commun de placement") or investment companies, using non conventional or alternative asset management strategies.

The Fund's capital and the net assets of all the Sub-Funds are expressed in Dollars ("USD").

The Fund offers investors, within the same investment vehicle, a choice between several Sub-Funds (the "Sub-Funds"). The Board of Directors of the Fund may, at any time, decide the creation of further Sub-Funds.

To ensure effective management, the Board of Directors may decide to manage all or part of the assets of one or more Sub-Funds with other Sub-Funds in the Fund (technique of pooling) or to co-manage all or part of the assets, except for a cash reserve, if necessary, of one or more Sub-Funds in A.R.T. ABSOLUTE RETURN TARGET FUND with assets of other Luxembourg investment funds or of one or more sub-funds of other Luxembourg investment funds (hereinafter called "Party(ies) to co-managed assets") for which the Fund's Custodian was appointed the custodian bank. These assets will be managed in accordance with the respective investment policy of the Parties to co-managed assets, each of which pursuing identical or comparable objectives. Parties to co-managed assets will only participate in co-managed assets as stipulated in their respective Prospectus and in accordance with their respective investment restrictions.

Each Party to co-managed assets will participate in co-managed assets in proportion to the assets contributed thereto by it. Assets will be allocated to each Party to co-managed assets in proportion to its contribution to co-managed assets. The entitlements of each Party to co-managed assets apply to each line of investment in the aforesaid co-managed assets.

The aforementioned co-managed assets will be formed by the transfer of cash or, if necessary, other assets from each Party participating in the co-managed assets. Thereafter, the Board of Directors may regularly make subsequent transfers to co-managed assets. The assets can also be transferred back to a Party to co-managed assets for an amount not exceeding the participation of the said Party to co-managed assets.

Dividends, interest and other distributions deriving from income generated by co-managed assets will accrue to the Parties to co-managed assets in proportion to their respective investments. Such income may be kept by the Party to co-managed assets or reinvested in the co-managed assets.

All charges and expenses incurred in respect of co-managed assets will be applied to these assets. Such charges and expenses will be allocated to each Party to co-managed assets in proportion to its respective entitlement in the co-managed assets.

As at 31 December 2002, the Sub-Funds invest in two pools; Arbitrage and Investing as referenced in the statements of securities in each Sub-Fund.



### **NOTE 1 - GENERAL (continued)**

The Sub-Funds foreseen in the prospectus are the following:

- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS A Diversified
- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS B Arbitrage
- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS C Diversified
- A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS D Investing

As at December 31, 2002, the following Sub-Funds are available to investors:

- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class A Diversified ("Class A Diversified") is a Sub-Fund reserved to clients under discretionary management mandate by Trendtrust S.A.. This Sub-Fund pursues an investment policy diversified among arbitrage and investing strategies
- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class B Arbitrage ("Class B Arbitrage") is a Sub-Fund opened to all investors. This Sub-Fund pursues an investment policy that primarily focuses on arbitrage strategies.
- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class C Diversified ("Class C Diversified") is a Sub-Fund opened to all investors. This Sub-Fund pursues an investment policy diversified among arbitrage and investing strategies.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fund prepares its combined financial statements and those of each Sub-Fund in conformity with legal and regulatory requirements in Luxembourg. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities during the reporting period. Actual results could differ from those estimates. The significant accounting policies used by the Fund are as follows:

#### *a) Combined financial statements*

The combined statement of net assets and statement of changes in net assets are expressed in Dollars (USD).

Combined statements are obtained by the arithmetic sum of the financial statements of each individual Sub-Fund on a line by line basis.

#### *b) Valuation of investments in securities*

Securities listed or traded on an official Stock Exchange or any other regulated market operating regularly, recognized and open to the public are valued on the basis of the last quotation known in Luxembourg on the Valuation Date and, if this security is traded on several markets, on the basis of the last price known on the market considered to be the main market for trading this security. If the last known price is not representative, the valuation is based on the probable realization value estimated by the Directors with prudence and in good faith.

Securities not listed or traded on a Stock Exchange or any other regulated market, operating regularly, recognized by and open to the public are assessed on the basis of the probable realization value estimated with prudence and in good faith, as determined by the Directors in accordance with recognized accounting and financial principles, using latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

#### *c) Valuation of investments in investment funds and partnerships*

Investments in investment funds and partnerships are valued at their latest official net assets values or at their latest unofficial net asset values (i.e. which are not generally used for the purposes of subscription and redemption of shares of the target funds) as provided by the relevant administrators if more recent than their official net asset values and for which the Administrative Agent has sufficient assurance that the valuation method used by the relevant administrator for said unofficial net asset values is coherent as compared to the official one. The Directors estimate that this valuation method most fairly presents the amount which would be realizable had the investment been sold as of the date of the computation of the net asset value. Because of the inherent uncertainty related to valuation and assessment of credit risks, the carrying value of these investments may differ from the values retained that would have been used had a ready market existed for these investments.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If events have occurred which may have resulted in a material change of the net asset value of such shares or units in other UCI or partnerships since the day on which the latest official net asset value was calculated, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Directors, such change of value.

For the purpose of determining the value of the Fund's assets, the Administrative Agent relies upon information received from various professional pricing sources (including fund administrators and brokers). In the absence of manifest error and having due regards to the standard of care and due diligence in this respect the Administrative Agent is not responsible for the accuracy of the valuations provided by such pricing sources.

In circumstances where one or more pricing sources fails to provide valuations for an important part of the assets to the Administrative Agent, the latter is authorized not to calculate a net asset value and as a result may be unable to determine subscription and redemption prices. The Directors shall be informed immediately by the Administrative Agent should this situation arise. The Directors may then decide to suspend the net asset value calculation, in accordance with the procedures set out in the section entitled "Suspension of the Calculation of Net Asset Value, and of the Issue, Repurchase and Conversion of Shares" of the prospectus.

*d) Valuation of swaps*

Swaps are valued at fair value based on the last available closing data used to compute the mark-to-market valuation of the swaps.

*e) Net realised gain or loss on sales of investments*

Realised gains or losses on sales of investments are calculated on the basis of average cost of the investments sold.

*f) Conversion of foreign currencies*

The accounting records and the financial statements of each Sub-Fund are expressed in Dollar (USD). Bank accounts, other net assets and market value of the investments in securities expressed in currencies other than USD are converted into USD at the exchange rates prevailing on the date of the balance sheet. Income and expenses in currencies other than USD are converted into USD at the rate of exchange prevailing at payment date.

*g) Cost of investments in securities*

Cost of investments in securities in currencies other than USD is converted into USD at the exchange rate applicable at purchase date.

*h) Formation expenses*

Formation expenses are amortised on a straight line basis over a period of 5 years.

If a new Sub-Fund is created in the future, the upfront costs for the Sub-Fund will be borne by the Sub-Fund exclusively and will be amortized over a period of 5 years with effect from the launch date of the said Sub-Fund.

*i) Income recognition*

Dividends are taken into account on the date upon which the relevant investments are first listed as ex-dividend. Interest income is accrued on a daily basis. Income is recorded net of withholding tax, if any.

### **NOTE 3 - ISSUE, CONVERSION AND REPURCHASE OF THE FUND'S SHARES**

Shares in the Sub-Funds of A.R.T. - ABSOLUTE RETURN TARGET FUND may be subscribed at any Valuation Date, ie the last calendar day of each month. However, considering the delay for the reception of the NAVs of the target funds, the NAV of the Fund is calculated within 21 calendar days of the following month.

During and after the initial offering period, the subscription price per share is equal to the Net Asset Value per Share on the relevant Valuation Day increased by a subscription fee in favour of the Principal Distributor up to a maximum of 4%.

Shares are redeemable on the first Valuation Date of each quarter and for the first time on March 31, 2001.

Shares in the Sub-Funds of A.R.T. - ABSOLUTE RETURN TARGET FUND are repurchased at a price corresponding to the Net Asset Value per Share. In addition, a redemption fee of up to 2% of the net asset value of the shares redeemed may be applied, or may be waived in whole or in part at the discretion of the Board of Directors. The redemption fee (if any) is paid for the redeemed Sub-Fund in order to compensate the fees required by underlying invested funds. The same percentage of redemption fee is applicable to all redemption requests received for a specific Redemption Date.

The Board of Directors may cause the Fund to redeem shares by payment of the redemption price of the price in cash.

Shares of one Sub-Fund may be converted into shares of another Sub-Fund if the applicants do comply with the eligibility criterias of the said target class.

Such conversion is accepted upon request at a price corresponding to the net asset value per share of the relevant Sub-Fund without conversion fee.

### **NOTE 4 - INVESTMENT ADVISER'S, PRINCIPAL DISTRIBUTOR'S AND PERFORMANCE FEES**

Under the terms of an agreement dated December 27, 2000, TT PARTNERS LTD was appointed Investment Adviser and Principal Distributor (i) to assist and advise the Fund in the daily management of its portfolio, (ii) to provide the Fund, on an ancillary basis with assistance in the selection of one or several selling agents or business intermediaries and to provide such intermediaries as well as investors with general information relative to economic and financial developments as well as trends that might affect shareholder investments in the Sub-Funds, as well as all other information or assistance required by shareholders in direct relation with their investments in the Sub-Funds.

The Investment Adviser and Principal Distributor is paid by the Fund, for each Sub-Fund, a fee of maximum of 1.75% p.a. as detailed below paid on a quarterly basis and calculated on the average net asset value of each Sub-Fund determined on each Valuation Date, in each quarter during the continuance of the Investment Advisory and Principal Distributor Agreement.

The Investment Adviser is also entitled to a performance fee payable annually and calculated on a "High Water Mark" basis (i.e. the High Water Mark being the highest NAV as at the end of a financial year for which a Performance Fee has been paid). The Performance Fee payable is 10% of the outperformance of the Net Asset Value of the Fund over an annual benchmark of 6%. For the year ended 31 December 2002, no performance fee was due.

Such Performance Fee is accrued on each valuation date and payable within ten days after the approval of the audited annual report by the General Meeting of Shareholders.

Performance fee on redeemed shares is paid systematically.

**NOTE 4 - INVESTMENT ADVISER'S, PRINCIPAL DISTRIBUTOR'S AND PERFORMANCE FEES (continued)**

At the end of the year, in the case of a negative provision, said provision is reported on the following year.

Name of the Sub-Fund	Advisory Fee applicable	Performance fee applicable
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS A Diversified	none	none
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS B Arbitrage	1.75 %	none
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS C Diversified	1.75 %	Yes see text above
A.R.T. - ABSOLUTE RETURN TARGET FUND - CLASS D Investing	1.75 %	Yes see text above

These fees have been determined by the Board of Directors taking into consideration that, for the clients under discretionary management by Trendtrust S A a separate agreement already foresee fees to be paid by the investors in the Fund.

**NOTE 5 - ANNUAL TAX**

Under the prevailing laws and regulations, the fund is subject in Luxembourg to a tax at the annual rate of 0.05%, payable quarterly and calculated on the basis of its net assets at the end of each quarter.

For the portion of the assets of the Fund invested in other UCIs which are established in Luxembourg, no such tax is payable.

For the Sub-Fund exclusively reserved to Institutional Investors, a tax of 0.01% per annum is applicable.

**NOTE 6 - EQUALIZATION**

When investments are made during the course of a period in certain mutual funds, certain adjustments ("equalization amounts") to the amount paid for the purchase of the investments are necessary, so that the performance fee paid by those investments to their investment adviser is charged only to those investments which have appreciated in value since their acquisition. Equalization amounts outstanding are refunded to the Fund in the form of additional shares at the period end net asset value of those investments.

**NOTE 7 - BANK OVERDRAFT**

The debit situation in certain account statements as at 31 December 2002 is not only related to leverage being used by the fund manager but is largely the technical consequence of a gap between the value date applied to the proceeds of redemptions in investments and the payments made by the fund manager as a result of having invested, before month-end, the proceeds of redemptions in third party funds.

**NOTE 8 - SUNDRY CREDITORS**

This account shows a payable amount in relation with an outstanding redemption of one investment, paid but not yet settled for an amount of USD 781,275.71 and with an outstanding subscription in the Fund, paid, but not yet settled for an amount of USD 99,998.96.

**NOTE 9 - CHANGES IN THE SECURITIES PORTFOLIO**

A copy of the changes in the securities portfolio for the year ended December 31, 2002 is available free of charge at the Registered Office of the Fund.

#### **NOTE 10 - DIRECTORS' INTERESTS**

The following directors are also directors of the following Funds' shares held in the portfolio as at December 31, 2002:

Directors		Securities
Luc Estenne	Director of TT Partners Ltd and Partners Advisers S.A.	Square One Fund Ltd

#### **NOTE 11 - SUBSEQUENT EVENTS**

From January 30, 2003 the following Sub-fund is available to investors:

- A.R.T. - ABSOLUTE RETURN TARGET FUND - Class D Investing ("Class D Investing") is a Sub-Fund opened to all investors. This Sub-Fund pursues an investment policy that primarily focuses on investing strategies.

# **Exhibit 7**



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

V A L U A T I O N O F A C C O U N T

AS AT : 31.12.02

NUMBER : Ref9302

IN US dollars

F I N A N C I A L S T R U C T U R E  
EVALUATION

8 CURRENCY MIX IN %  
USD

YOUR ASSETS

Shares

Diversified funds

Sight account

YOUR LIABILITIES

Diversified funds

Sight account

NET TOTAL

NET TOTAL BY CURRENCY

USD 2,705,036,99  
WOR 36,738,128,29  
ASI 608,133,97  
GBP 3,224,039,21

2,705,036,99  
35,104,016,32  
581,084,17  
2,011,501,04  
40,401,638,52

6,60  
86,80  
1,40  
4,90

EXCHANGE RATE

1,00000000  
1,0465056  
1,04685086  
1,60280266

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

ESTABLISHED ON : 21.01.03

PAGE 1





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT

AS AT : 31.12.02

NUMBER : Ref9302

IN US dollars

CASH / SIGHT

ACCOUNT SUB ACCOUNT

P O L : Redacted 8148

-+ Current accounts

002.000.840

USD

5,430,271,69-

1,00000

5,430,271,69-

5,430,271,69-

Ref9302

ART ABSOLUTE RETURN TARGET FUND

CLASS B ARBITRAGE

HOLD MAIL

ESTABLISHED ON : 21.01.03 PAGE 2





REF 0304 1022

# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT

AS AT : 31.12.02

NUMBER : Ref9302

IN US dollars

CASH / SIGHT

ACCOUNT SUB ACCOUNT

P O L : ~~Redacted~~ 8 1 4 8

---+ Securities sold receivable

005.000.840

USD

145.786,08

1,000000

145.786,08 0,32

145.786,08

Ref9302

ART ABSOLUTE RETURN TARGET FUND

CLASS B ARBITRAGE

HOLD MAIL

ESTABLISHED ON : 21.01.03 PAGE 3

R



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT

AS AT : 31.12.02

NUMBER : Ref9302

IN US dollars

CASH / SIGHT

ACCOUNT SUB ACCOUNT

POOL FROPRE : Redacted 9302

Current accounts

002.000.840

USD

110,93--

1,00000

110,93--

110,93--

TOTAL : ASSETS

145.786,08 0,32

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

ESTABLISHED ON : 21.01.03 PAGE 4



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT		Re 9302		ART ABSOLUTE RETURN TARGET FUND		R	
VALUATION OF ACCOUNT				CLASS B ARBITRAGE		5	
AS AT : 31.12.02 AT EXCHANGE PRICES				HOLD MAIL			
NUMBER : Re 9302							
IN US dollars				ESTABLISHED ON : 21.01.03		PAGE	
NOMINAL/QUANTITY DESCRIPTION				EVALUATION USD		YIELD TO MA.	
SECURITIES POSITIONS				ACCR. INTEREST		Y.AV.COST P.	
				UNREAL. P/L		DIFFERENCE	
-----							
POOL PROPRE : Redacted 8148							
-----							
Partnership							
492,144471	NUMERIC EUROPEAN LONG SHORT LTD	1131,3944	USD	556,809,50	1,21		
	PARTNERSHIP	1014,0277					
	SECURITY NBR 1013278,210	117,3666		57,761,35			
	UNREAL. P/L FORM.FOR.EX.			0,00			
	UNREAL. P/L ON SECURITIES			57,761,35			
1781,730000	NUMERIC SM CAP AGGRES OFFSH MKT	1027,4252	USD	1,830,594,31	3,99		
	NEUT FD I - PARTNERSHIP	1014,6729					
	SECURITY NBR 1015111,210	12,7522		22,721,06			
	UNREAL. P/L FORM.FOR.EX.			0,00			
	UNREAL. P/L ON SECURITIES			22,721,06			
	Hedge fund capitalisation						
4071,410554	LAKE SHORE INTERNATIONAL LTD	294,0500	USD	1,197,198,27	2,61		
		271,2333					
				2,387,403,81	5,20		
				0,00			
				80,482,41			



Société Anonyme

UNREAL. P/L FORW. FOR. EX.

DD-0





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT		Re 9302		ART ABSOLUTE RETURN TARGET FUND	
VALUATION OF ACCOUNT				CLASS B ARBITRAGE	
AS AT : 31.12.02 AT EXCHANGE PRICES				HOLD MAIL	
NUMBER : Re 9302					
IN US dollars				ESTABLISHED ON : 21.01.03	
				PAGE 7	
NOMINAL/QUANTITY DESCRIPTION				YIELD TO MA.	
SECURITIES POSITIONS				Y.AV.COST P.	
				DIFFERENCE	
PRICE CUR				UNREAL. P/L	
AV.COST P.				ACC. INTEREST	
DIFFERENCE				UNREAL. P/L	
AMOUNT				EVALUATION USD	
				1.024.672,47	
				2,23	
				176.025,71	
				143.032,38	
				0,31	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
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				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
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				145.2444 USD	
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				145.2444 USD	
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				422,73	
				197.992,48	
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				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
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				422,73	
				197.992,48	
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				145.2444 USD	
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				197.992,48	
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				632.143,23	
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				145.2444 USD	
				149.3724	
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				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
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				145.2444 USD	
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				145.2444 USD	
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				145.2444 USD	
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				19.738,99	
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				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
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				197.992,48	
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				145.2444 USD	
				149.3724	
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				145.2444 USD	
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				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
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				422,73	
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				145.2444 USD	
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				145.2444 USD	
				149.3724	
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				145.2444 USD	
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				632.143,23	
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				145.2444 USD	
				149.3724	
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				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
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				422,73	
				197.992,48	
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				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
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				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	
				0,43	
				19.738,99	
				632.143,23	
				1,38	
				145.2444 USD	
				149.3724	
				19.738,99	
				0,00	
				422,73	
				197.992,48	



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Rec9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL PROPRE : Redacted 8148

Rec9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

R 8

ESTABLISHED ON : 21.01.03 PAGE 8  
EVALUATION USD  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE

PRICE CUR AMOUNT  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

SECURITY NBR	1014221.000	4,1280-	17,966,42-	17,966,41-
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			17,966,41-	
1037,133629 VICTORY OVERSEAS FUND LTD -A-		1278,9900 USD	1,326,483,54	1,326,483,54
		1184,5717		2,89
		94,4182	97,924,36	97,924,36
SECURITY NBR	1014458.000			
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			97,924,36	
193426,840 CCM SMALL CAP VALUE FUND LTD		1,0000 USD	192,426,84	192,426,84
EN COURS D'ACQUISITION		1,0004		0,42
SECURITY NBR	1014586.009			
UNREAL. P/L FORM.FOR.EX.			90,98-	90,98-
UNREAL. P/L ON SECURITIES			90,98-	
9491,693633 THE CARROUSEL FUND LTD - SERIES 06		122,2619 USD	1,160,663,06	1,160,663,06
		119,7978		2,53
		2,4840	23,577,91	23,577,92
SECURITY NBR	1014890.000			
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			0,00	
			90,98-	
			1,160,663,06	
			23,577,91	
			0,00	



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

Re9302

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT

AS AT : 31.12.02 AT EXCHANGE PRICES

NUMBER : Re9302

IN US dollars

ESTABLISHED ON : 21.01.03

PAGE 9

ART ABSOLUTE RETURN TARGET FUND

CLASS B ARBITRAGE

HOLD MAIL

YIELD TO MA.

Y.AV.COST P.

DIFFERENCE

POOL PROPRE : Redacted 8148

NOMINAL/QUANTITY	DESCRIPTION	P R I C E C U R		A M O U N T		EVALUATION USD	ESTABLISHED ON : 21.01.03	PAGE 9
		AV.COST P.	DIFFERENCE	ACCR. INTEREST	UNREAL. P/L			
936,43960	ARX GLOBAL HIGH YIELD SECURITIES	1143,4176 USD	23,577,82	1,059,375,94	2,31	1,059,375,94		
	OVERSEAS FUND LTD -A6-	1000,0000						
	SECURITY NBR 1014949,000	143,4176	132,876,34	132,876,35		132,876,35		
	UNREAL. P/L FORM.FOR.EX.		0,00					
53737,380183	ARTRADIS BARRACUDA FUND	132,876,35		574,500,95	1,25	574,500,95		
	NON US FEEDER	10,6116	4,259,71	4,259,72		4,259,72		
	SECURITY NBR 1015005,000	0,0792						
	UNREAL. P/L FORM.FOR.EX.		0,00					
	UNREAL. P/L ON SECURITIES		4,259,72					
6583,228653	ARTRADIS BARRACUDA FD-NON US FEEDER	1,0000 USD	6,583,22	6,583,22	0,01	6,583,22		
	EQUALISATION COTE A 1 USD	0,0000						
	SECURITY NBR 1015005,279	1,0000	6,583,22	6,583,23		6,583,23		
	UNREAL. P/L FORM.FOR.EX.		0,00					
	UNREAL. P/L ON SECURITIES		6,583,23					
52686,076811	KBC CONVERTIBLE OPPORTUNITIES FUND	1,0000 USD	52,586,07	52,586,07	0,11	52,586,07		
	EQUALISATION COTE A 1 USD	0,1375						



BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG  
Société Anonyme



ART ABS.R.T.FD/CL.B ARBIT  
VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Rec9302  
IN US dollars  
NOMINAL/QUANTITY DESCRIPTION  
SECURITIES POSITIONS  
P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L  
ESTABLISHED ON : 21.01.03 PAGE 10  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE

P O L P R O P R E : Redacted 8148

SECURITY NBR	1015026.279	0,8624	45,438,86	45,438,86
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			45,438,86	
88,83705 SILVER POINT CAPITAL OFFSHORE -B23- FUND		10362,7513 USD	920,596,33	2,01
		10001,2681		
SECURITY NBR	1015104.000	361,4831	32,113,09	
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			32,113,09	
766,639382 FIMCO GLOBAL RELATIVE VALUE OFFSH FUND II LTD - CLASS B SERIES 5		963,9600 USD	700,451,29	1,53
		980,9262		
SECURITY NBR	1015107.000	16,9662-	12,328,33-	
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			12,328,33-	
655,230400 VICTORY OVERSEAS FUND LTD -A2-		1011,6300 USD	865,347,77	1,89
		1000,1028		
SECURITY NBR	1015269.000	11,7271	10,029,41	
UNREAL. P/L FORM.FOR.EX.			0,00	





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

## Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Ref9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL PROPRE : Redacted 8148

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

R 11

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EVALUATION USD \$ YIELD TO MA.  
ACCR. INTEREST Y.AV.COST P.  
UNREAL. P/L DIFFERENCE

PRICE CUR AMOUNT  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

UNREAL. P/L ON SECURITIES  
1211576,400 DE SHAW COMPOSITE INTL FD 1  
ANNUAL UNIT-EN COURS D'ACQUISITION  
SECURITY NBR 1015376,009

10,029,42  
1,0000 USD 1,211,576,40 2,64  
1,0000 90,98-  
0,0000 90,98-

UNREAL. P/L FORM.FOR.EX.  
UNREAL. P/L ON SECURITIES  
260,129016 KINGSFORD INTERNATIONAL FUND - RED  
SHS - SERIES 13/10-02  
SECURITY NBR 1015390,000

0,00  
90,98-  
931,5200 USD 242,315,38 0,53  
931,8085 75,05-  
0,2885- 75,05-

UNREAL. P/L FORM.FOR.EX.  
UNREAL. P/L ON SECURITIES  
141,747311 THE DRAKE ABSOLUTE RETURN FUND LTD  
CLASS B SERIES 1-B  
SECURITY NBR 1015414,000

0,00  
75,05-  
1073,8793 USD 152,219,51 0,33  
1000,5111 10,399,74  
73,3681 10,399,74

UNREAL. P/L FORM.FOR.EX.  
UNREAL. P/L ON SECURITIES  
1069,038000 FRAMEWORK ASSET INVESTORS FUND  
CLASS B SERIES 4

0,00  
10,399,74  
1019,9863 USD 1,090,404,13 2,38  
1000,0822 1,090,404,13



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Ref9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL BEFORE : Redacted 8148

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

R 12

ESTABLISHED ON : 21.01.03 PAGE 12  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE

P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

SECURITY NBR	1015434.000	19,9041	21.278,25	21.278,26
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			21.278,26	
3,072403 AQR GLOBAL ASSET ALLOCATION OFFSH	119447,8005 USD	1.083.678,58	1.083.678,58	2,36
FUND (USD) CLASS B SERIES 10-2002	117943,7270			
SECURITY NBR	1015495.000	14.552,70	14.552,70	
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			14.552,70	
10262,764800 COGHILL CAPITAL MANAGEMENT SMALL	107,5790 USD	1.104.057,97	1.104.057,97	2,41
CAP VALUE FUND -BS-	100,0080			
SECURITY NBR	1015537.000	77.692,65	77.692,65	
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			77.692,65	
0,24244 SILVER POINT CAPITAL OFFSHORE	10180,0000 USD	2.539,31	2.539,31	
CLASS D SERIES 23-B FUND	10287,7941			
SECURITY NBR	1015566.000	26,90-	26,90-	
UNREAL. P/L FORM.FOR.EX.			0,00	



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT		Re9302		ART ABSOLUTE RETURN TARGET FUND	
VALUATION OF ACCOUNT				CLASS B ARBITRAGE	
AS AT : 31.12.02 AT EXCHANGE PRICES				HOLD MAIL	
NUMBER : Re9302					
IN US dollars				ESTABLISHED ON : 21.01.03	
				PAGE 13	
NOMINAL/QUANTITY DESCRIPTION		P R I C E C U R		A M O U N T	
S E C U R I T I E S P O S I T I O N S		AV.COST P. DIFFERENCE		ACCR. INTEREST UNREAL. P/L	
P O O L P R O P R E : Redacted 8148				EVALUATION USD \$	
				YIELD TO MA. Y.AV.COST P. DIFFERENCE	
UNREAL. P/L ON SECURITIES		26,89-		615,031,06	
3653,971 GLC GESTALT EUROPE FUND -A16-		168,3185 USD		1,34	
SECURITY NBR 1015623,000		167,7636		2,027,40	
UNREAL. P/L FORM.FOR.EX.		0,5548			
UNREAL. P/L ON SECURITIES		0,00			
427615,200 CONDOR OFFSHORE INVESTORS -B- FUND		2,027,40			
EN COURS D'ACQUISITION		1,0000 USD		427,615,20	
SECURITY NBR 1015650,009		1,0002		0,93	
UNREAL. P/L FORM.FOR.EX.		0,0002-		90,98-	
UNREAL. P/L ON SECURITIES		0,00			
691311,240 SILVERBACK OFFSHORE FUND -B-		90,98-			
EN COURS D'ACQUISITION		1,0000 USD		691,311,24	
SECURITY NBR 1015652,009		1,0001		1,51	
UNREAL. P/L FORM.FOR.EX.		0,0001-		90,98-	
UNREAL. P/L ON SECURITIES		0,00			
1,515401 AQR GLOBAL ASSET ALLOCATION OFFSH		119437,2473 USD		180,995,32	
FUND (USD) CLASS B SERIES 12-2002		117633,1190		0,39	





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT  
VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Ref9302  
IN US dollars  
NOMINAL/QUANTITY DESCRIPTION  
SECURITIES POSITIONS  
ESTABLISHED ON : 21.01.03 PAGE 14  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE  
P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L  
EVALUATION USD  
ACCR. INTEREST  
UNREAL. P/L

P O L P R O P R E : Redacted 8148

SECURITY NBR	1015689.000	1804,1283	2,733,94	2,733,94
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			2,733,94	
3080,707312 JEMCO INTERNATIONAL FD -A- RED SHS		200,5261 USD	617,762,31	1,35
		189,1475		
		11,3785	35,053,95	
SECURITY NBR	9002763.000			
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			35,053,95	
097,525534 JEMCO INTERNATIONAL FD -A- RED SHS		200,5261 USD	179,977,32	0,39
		196,3154		
		4,2106	3,779,19	
SECURITY NBR	9002763.000			
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			3,779,19	
1777,239826 JEMCO INTERNATIONAL FD -A- RED SHS		200,5261 USD	356,363,02	0,76
		195,2372		
		5,2888	9,399,55	
SECURITY NBR	9002763.000			
UNREAL. P/L FORM.FOR.EX.			0,00	



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

## Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT		Re9302		ART ABSOLUTE RETURN TARGET FUND	
VALUATION OF ACCOUNT		Re9302		CLASS B ARBITRAGE	
AS AT : 31.12.02 AT EXCHANGE PRICES		Re9302		HOLD MAIL	
NUMBER :		Re9302		ESTABLISHED ON : 21.01.03	
IN US dollars		Re9302		PAGE 15	
NOMINAL/QUANTITY	DESCRIPTION	PRICE	AMOUNT	EVALUATION	YIELD TO MA.
SECURITIES POSITIONS		P. DIFFERENCE	ACC. INTEREST	ACCR. INTEREST	Y.AV.COST P.
			UNREAL. P/L	UNREAL. P/L	DIFFERENCE
POOL PROPRE : Redacted 8148					
363,045447	JEMCO INTERNATIONAL FD -A- RED SHS	200,5261 USD	72,800,05	72,800,05	0,16
	SECURITY NBR 9002763.000	194,5184			
		6,0076	2,181,04	2,181,05	
4424,206636	JEMCO INTERNATIONAL FD -A- RED SHS	1,0000 USD	4,424,20	4,424,20	
	EQUALISATION COTE A 1 USD	0,0000			
	SECURITY NBR 9002763.279	1,0000	4,424,20	4,424,21	
126,410180	JEMCO INTERNATIONAL FD -A- RED SHS	1,0000 USD	126,41	126,41	
	EQUALISATION COTE A 1 USD	0,0000			
	SECURITY NBR 9002763.279	1,0000	126,41	126,41	
650,110515	LYDIAN OVERSEAS PARTNERS LTD	1509,6500 USD	981,439,33	981,439,33	2,14
	CLASS B SERIES 1	1283,5254			



Société Anonyme

UNREAL. P/L FORW. FOR. EX.

RC. LUM B. 8643





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

## Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Rec9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL PROPRE : Redacted 8148

Rec9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

ESTABLISHED ON : 21.01.03 PAGE 17

PRICE CUR AMOUNT  
AV.COST P. ACQR. INTEREST YIELD TO MA.  
DIFFERENCE UNREAL. P/L INTEREST DIFFERENCE  
UNREAL. P/L

UNREAL. P/L ON SECURITIES  
204,28044 JMG TRITON OFFSHORE FUND CLASS D  
SERIES 1 HOT ISSUE  
SECURITY NBR 9003471.000

3303,4000 USD 10,025,09  
2832,5691 873,024,02 1,90  
470,8308 124,431,38

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES  
15737,597750 TAMARACK INTERNATIONAL LTD

0,00  
124,431,39  
115,6230 USD 1,819,628,26 3,97  
102,2799  
13,3430 209,987,15

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES  
9955,001154 TAMARACK INTERNATIONAL LTD

0,00  
209,987,15  
115,6230 USD 1,150,680,22 2,51  
114,5311  
1,0918 10,865,85

SECURITY NBR 9004099,000

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES  
11085,524060 TAMARACK INTL FUND LTD  
EQUALISATION

0,00  
10,865,85  
1,0000 USD 11,085,92 0,02  
0,0541



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT		Re 9302		ART ABSOLUTE RETURN TARGET FUND		R	
VALUATION OF ACCOUNT				CLASS B ARBITRAGE		PAGE 18	
AS AT : 31.12.02 AT EXCHANGE PRICES				HOLD MAIL		YIELD TO MA.	
NUMBER : Re 9302						Y.AV.COST P.	
IN US dollars						DIFFERENCE	
NOMINAL/QUANTITY DESCRIPTION		P R I C E C U R	A M O U N T	EVALUATION USD			
SECURITIES POSITIONS		AV.COST P.	ACCR. INTEREST	ACCR. INTEREST			
		DIFFERENCE	UNREAL. P/L	UNREAL. P/L			
P O L P R O P R E : Redacted 8148							
SECURITY NBR	9004099.279	0,9458	10,485,98	10,485,98			
	UNREAL. P/L FORM.FOR.EX.		0,00				
	UNREAL. P/L ON SECURITIES		10,485,98				
1026,071937 THE CAPITAL FUND LTD		1492,2890 USD	1,531,195,86	1,531,195,86		3,34	
		1197,8787					
SECURITY NBR	9004379.000	294,7102	302,393,94	302,393,94			
	UNREAL. P/L FORM.FOR.EX.		0,00				
	UNREAL. P/L ON SECURITIES		302,393,94				
113,580391 THE CAPITAL FUND LTD		1492,2890 USD	168,002,47	168,002,47		0,37	
		1266,8167					
SECURITY NBR	9004379.000	225,4723	25,383,75	25,383,75			
	UNREAL. P/L FORM.FOR.EX.		0,00				
	UNREAL. P/L ON SECURITIES		25,383,75				
8552,515526 ALPHAGEN AVIOR FUND LTD -A-		311,4056 USD	952,798,12	952,798,12		2,08	
		100,0121					
SECURITY NBR	9004530.000	11,3934	97,442,56	97,442,56			
	UNREAL. P/L FORM.FOR.EX.		0,00				





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

## Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT

AS AT : 31.12.02 AT EXCHANGE PRICES

NUMBER : Re9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

Re9302

ART ABSOLUTE RETURN TARGET FUND

CLASS B ARBITRAGE

HOLD MAIL

ESTABLISHED ON : 21.01.03

PAGE 19

YIELD TO MA.

Y.AV.COST P.

DIFFERENCE

P R I C E C U R

AV.COST P.

DIFFERENCE

A M O U N T

ACCR. INTEREST

UNREAL, P/L

EVALUATION USD

ACCR. INTEREST

UNREAL, P/L

97,442,56

111,4056 USD

112,7461

1,3405-

352,196,87

4,237,88-

0,00

4,237,88-

1,176,66

0,0000

1,0000

1,176,67

0,00

1,176,67

691,772,83

94,4574 USD

100,2661

5,8087-

42,541,43-

0,00

42,541,43-

945,358,57

1480,0800 USD

1473,0124

2,06

UNREAL, P/L ON SECURITIES

3161,391102 ALPHAGEN AVIOR FUND LTD -A-

SECURITY NBR 9004530.000

UNREAL, P/L FORW.FOR.EX.

UNREAL, P/L ON SECURITIES

1176,668745 ALPHAGEN AVIOR FUND LTD -A-

EQUALISATION COTE A 1 USD

SECURITY NBR 9004530.279

UNREAL, P/L FORW.FOR.EX.

UNREAL, P/L ON SECURITIES

7323,648862 ANOVA FUND LTD -B-

SECURITY NBR 9004844.000

UNREAL, P/L FORW.FOR.EX.

UNREAL, P/L ON SECURITIES

638,721269 LONGACRE INTERNATIONAL LTD

SERIES 05/99



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Ref9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL PROPRE : Redacted 8148

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

R  
20

ESTABLISHED ON : 21.01.03 PAGE  
EVALUATION USD 8 YIELD TO MA.  
ACCR. INTEREST Y.AV.COST P.  
UNREAL. P/L DIFFERENCE

P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

SECURITY NBR	9005244.000	7,0675	4,514,17	4,514,18
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			4,514,18	
9977,604615 GRACIE CAPITAL INTERNATIONAL LTD		167,3900 USD	1,670,151,23	3,54
SERIES -A-		170,7177		
SECURITY NBR	9005246.000	3,5277-	33,203,13-	
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			33,203,12-	
6380,68158 EPSILON GLOBAL ACTIVE VALUE FUND II LTD		122,9000 USD	784,185,76	1,71
SECURITY NBR	9005431.000	5,3192	33,940,66	
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			33,940,67	
2972,27485 EPSILON GLOBAL ACTIVE VALUE FUND II LTD		122,9000 USD	365,292,58	0,50
SECURITY NBR	9005431.000	119,9175		
UNREAL. P/L FORM.FOR.EX.		2,9824	8,864,63	
UNREAL. P/L FORM.FOR.EX.			0,00	



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Rec9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL PROPRE : Redacted 8148

Rec9302  
ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL  
ESTABLISHED ON : 21.01.03 PAGE 21  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE

PRICE CUR  
AV.COST P.  
DIFFERENCE  
AMOUNT  
ACCR. INTEREST  
UNREAL. P/L

UNREAL. P/L ON SECURITIES  
2975,99511 EPSILON GLOBAL ACTIVE VALUE FUND II  
LTD  
SECURITY NBR 9005431.000

8.864,63  
122,9000 USD  
119,7401  
3,1598  
365,749,79  
9,403,79  
0,80

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES  
8231,07946 EPSILON GLOBAL ACTIVE VALUE FUND II  
LTD - EQUALISATION COTE A 1 USD  
SECURITY NBR 9005431.279

0,00  
9,403,80  
8,231,07  
6,271,29  
8,231,07  
6,271,30  
0,02

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES  
5379,81970 EPSILON GLOBAL ACTIVE VALUE FUND II  
LTD - EQUALISATION COTE A 1 USD  
SECURITY NBR 9005431.279

0,00  
6,271,30  
5,379,81  
5,379,81  
5,379,81  
5,379,82  
0,01

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES  
5297,26858 EPSILON GLOBAL ACTIVE VALUE FUND II  
LTD - EQUALISATION COTE A 1 USD

0,00  
5,379,82  
5,297,26  
5,297,26  
5,297,26  
5,297,26  
0,01





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Ref9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POL PROPRE : Redacted 8148

Ref9302  
ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL  
ESTABLISHED ON : 21.01.03 PAGE 22  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE

P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

SECURITY NBR	9005431.279	1,0000	5,297,26	5,297,27
UNREAL. P/L FORW.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			5,297,27	
6700,19566 HENDERSON UK EQUITY MARKET NEUTRAL		105,2700 USD	705,329,59	1,54
FUND LTD -A-		102,1753		
SECURITY NBR	9006185.000	3,0946	20,734,91	20,734,92
UNREAL. P/L FORW.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			20,734,92	
386,34500 THE DRAKE ABSOLUTE RETURN FUND LTD		1079,1229 USD	384,541,15	0,84
CLASS B SERIES 1-C		1000,2266		
SECURITY NBR	9006194.000	78,8962	28,114,37	28,114,37
UNREAL. P/L FORW.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			28,114,37	
10415,41629 ED STAR FUND		100,8300 USD	1,050,186,42	2,29
		102,6464		
SECURITY NBR	9006609.000	1,8184-	18,939,46-	18,939,45-
UNREAL. P/L FORW.FOR.EX.			0,00	



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Ref9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POL PROPRE : Redacted 8148

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

R 23

ESTABLISHED ON : 21.01.03 PAGE 23  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE

PRICE CUR AMOUNT  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

UNREAL. P/L ON SECURITIES

1773,56867 ED STAR FUND 100,8300 USD 176,829,03 0,39

SECURITY NBR 9006609,000

566,16

UNREAL. P/L FORM.FOR.EX.  
UNREAL. P/L ON SECURITIES

0,00  
566,16

2187,23749 ED STAR FUND

2,187,23

EQUALISATION COTE A USD

2,187,23

SECURITY NBR 9006609,279

2,187,24

UNREAL. P/L FORM.FOR.EX.  
UNREAL. P/L ON SECURITIES

0,00  
2,187,24

159,62162 ED STAR FUND

159,62

EQUALISATION COTE A USD

159,62

SECURITY NBR 9006609,279

159,62

UNREAL. P/L FORM.FOR.EX.  
UNREAL. P/L ON SECURITIES

0,00  
159,62

712,69200 CQS CAPITAL STRUCTURE ARBITRAGE

711,052,86

FEEDER -B- USD FUND LTD - RED SHS

1,85



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT  
VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Rec9302  
IN US dollars  
NOMINAL/QUANTITY DESCRIPTION  
SECURITIES POSITIONS  
ESTABLISHED ON : 21.01.03 PAGE 24  
YIELD TO MA.  
Y.AV.COST P.  
DIFFERENCE  
P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L  
EVALUATION USD  
ACC. INTEREST  
UNREAL. P/L

P O L P R O P R E : Redacted 8148

SECURITY NBR	9006915.000	2,4234-	1,727,16-	1,727,15-
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			1,727,15-	
6436,730822 ERISWELL MULTI STRATEGY FD INC -A-		99,6702 USD	641.550,24	1,40
		99,6641		
		0,0060	39,06	39,07
SECURITY NBR	9007107.000			
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			39,07	
25,746924-ERISWELL MULTI STRATEGY FD INC -A-		1,0000 USD	25,74-	25,74-
EQUALISATION COTE A 1 USD		0,0000		
SECURITY NBR	9007107.279		25,74-	25,75-
UNREAL. P/L FORM.FOR.EX.			0,00	
UNREAL. P/L ON SECURITIES			25,75-	
7126,920000 ASTIN VEGA FEEDER FUND LTD -A-		96,7900 USD	704.066,42	1,54
		100,6124		
		1,2324-	8,712,26-	8,712,25-
SECURITY NBR	9007116.000			
UNREAL. P/L FORM.FOR.EX.			0,00	





Société Anonyme

20, Bd. Emmanuel Servais L-2535 Luxembourg Boite Postale 474 L-2014 Luxembourg Phone: +352 47 88 46-1 S.W.I.F.T. PHIBLUM RC. Lux B. 8643



# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT  
AS AT : 31.12.02 AT EXCHANGE PRICES  
NUMBER : Rec9302

IN US dollars

NOMINAL/QUANTITY DESCRIPTION

SECURITIES POSITIONS

POOL PROPRE : Redacted 8148

Rec9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

R 26

ESTABLISHED ON : 21.01.03 PAGE  
EVALUATION USD 8 YIELD TO MA.  
ACCR. INTEREST Y.AV.COST P.  
UNREAL. P/L DIFFERENCE

P R I C E C U R A M O U N T  
AV.COST P. ACCR. INTEREST  
DIFFERENCE UNREAL. P/L

UNREAL. P/L FORW.FOR.EX.  
UNREAL. P/L ON SECURITIES

0,00  
55,460,78

2,391,019,36 5,22 +  
0,00  
103,353,68

T O T A L N E T  
ACCR. INTEREST  
UNREALISED P/L NET

45,686,234,87 99,61 +  
0,00  
1,711,140,79





# BANQUE PRIVÉE EDMOND DE ROTHSCHILD LUXEMBOURG

Société Anonyme

REF: 0134-2022

ART ABS.R.T.FD/CL.B ARBIT

VALUATION OF ACCOUNT

AS AT : 31.12.02

NUMBER : Ref9302

IN US dollars

Ref9302

ART ABSOLUTE RETURN TARGET FUND  
CLASS B ARBITRAGE  
HOLD MAIL

ESTABLISHED ON : 21.01.03 PAGE 27

## SURVEY OF SECURITIES BY GEOGRAPHY

	BONDS	SHARES	OTHER	TOTAL
World	0,00	35.104.016,32	0,00	35.104.016,32
United States of America	0,00	7.989.633,53	0,00	7.989.633,53
Asia	0,00	581.084,17	0,00	581.084,17
United Kingdom	0,00	2.011.501,04	0,00	2.011.501,04
	0,00	45.686.235,06	0,00	45.686.235,06

## SURVEY OF SECURITIES BY SECTOR

	BONDS	SHARES	OTHER	TOTAL
Investment Trusts/Mutual Funds	0,00	45.686.235,06	0,00	45.686.235,06
	0,00	45.686.235,06	0,00	45.686.235,06

# **Exhibit 8**

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**From:** EXPOSTA Laurence <L.Exposta@LCF-Rothschild.lu>  
**Sent:** Wednesday, February 12, 2003 10:40 AM  
**To:** Luc Estenne; Jérôme Muller; hjm@trendtrust.com; amg@trendtrust.com  
**Subject:** A.R.T. - ABSOLUTE RETURN TARGET FUND - 1st draft of the Audited Annual Report as at 31 December 2002 (49300)  
**Attachments:** EN-ART ABSOLUTE RETURN TARGET FUND.pdf

Dear Sirs,

Please find herewith the first draft of the full version of the Audited Annual Report of the above-mentioned Fund as at 31 December 2002.

We would be grateful for your approval of, or comments on this report, at your earliest convenience.

It would be most appreciated if, together with your approval/comments, you could send us the English version of the Report on the Activities of the Fund to be included.

As formerly agreed, we shall submit to your approval the abbreviated version of the report, as soon as the full version is finalised.

We look forward to a prompt reply and thank you for your cooperation.

Yours faithfully,

<<EN-ART ABSOLUTE RETURN TARGET FUND.pdf>>

Laurence EXPOSTA  
Fund Reporting  
Banque Privée Edmond de Rothschild Luxembourg  
20 boulevard Emmanuel Servais, L-2535 Luxembourg  
Tel: (352) 47 93 46 - 496 Fax: (352) 22 24 94  
E-mail: [l.exposta@lcf-rothschild.lu](mailto:l.exposta@lcf-rothschild.lu)  
Internet: [www.lcf-rothschild.lu](http://www.lcf-rothschild.lu)

\*\*\*\*\*

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# **Exhibit 9**

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**From:** EXPOSTA Laurence <L.Exposta@LCF-Rothschild.lu>  
**Sent:** Wednesday, April 09, 2003 11:57 AM  
**To:** Luc Estenne; Jérôme Muller; hjm@trendtrust.com; amg@trendtrust.com  
**Subject:** A.R.T. - ABSOLUTE RETURN TARGET FUND - Report as at 12/31/02 - Last draft  
**Attachments:** EN-ART ABSOLUTE RETURN TARGET FUND.pdf

Dear Sirs,

Please find herewith the last draft of the full version of the Audited Annual Report of the above-mentioned Fund as at 31 December 2002 including the auditor's comments dated 7 April 2003 and the amended version of the report on the activities (sent today by M. Muller).

We would be grateful for your approval of, or comments on this report, at your earliest convenience.

As formerly agreed, we shall submit to your approval the abbreviated version of the report, as soon as the full version is finalised.

We look forward to a prompt reply and thank you for your cooperation.

<<EN-ART ABSOLUTE RETURN TARGET FUND.pdf>>

Laurence EXPOSTA  
Authorized Officer, Fund Legal Reporting Banque Privée Edmond de Rothschild Europe  
20 boulevard Emmanuel Servais, L-2535 Luxembourg  
Tel: (352) 47 93 46 - 496 Fax: (352) 22 24 94  
E-mail: [l.exposta@lcf-rothschild.lu](mailto:l.exposta@lcf-rothschild.lu)  
Internet: [www.lcf-rothschild.lu](http://www.lcf-rothschild.lu)

\*\*\*\*\*

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# **Exhibit 10**





## PROSPECTUS





## PROSPECTUS

June 2001

## NOTE TO INVESTORS

A.R.T. – ABSOLUTE RETURN TARGET Fund (the "Fund") invests mainly as a "Fund of Funds" in Hedge Funds. An investment in the Fund carries substantial risks. The risks inherent to an investment in Hedge Funds are of a nature and degree not typically encountered in investments in securities of companies listed on major securities markets worldwide. There can be no assurance that the Fund's investment objective will be achieved and investment results may vary substantially over time. Investors incur the risk to lose all or part of their investment in the Fund. An investment in the Fund is not intended to be a complete investment program for any investor. Prospective investors should carefully consider whether an investment in shares is suitable for them in the light of their own circumstances and financial resources (see "Risk Factors" below).

The Board of Directors of the Fund will, however, endeavour to monitor risks through the selection of the Fund's investments based on a due diligence procedure (see "Due Diligence Procedure" below).

This should reduce the risks but not eliminate them totally.

A.R.T. – ABSOLUTE RETURN TARGET

Fund (the "Fund"), created under the co-sponsorship of Partners Advisers S.A. and Trendtrust S.A., is registered under Part II of the list of undertakings for collective investment provided by the Luxembourg law of March 30th 1988 relating to undertakings for collective investment (Loi du 30 mars 1988 relative aux organismes de placement collectif).

The registration on the official list of UCI cannot be construed as an approval by the controlling authority of the contents of this Prospectus or of the quality of the securities offered and held by the Fund. Any representation to the contrary would be unauthorized and unlawful.

Shares in the Fund are offered on the basis of the information and representations contained in this Prospectus or the documents specified herein and no other information or representation relating thereto is authorised. Neither the delivery of this Prospectus nor the offer, issue or sale of shares in the Fund shall under any circumstances constitute a representation that the information given in this Prospectus is correct as at any time subsequent to the date hereof.

If distributed in Switzerland and Italy, this Prospectus must be supplemented by an appendix containing specific information for Swiss and Italian investors.

The shares of the Fund have not been registered under the United States Securities Act of 1933 and may not be offered or sold directly or indirectly in the United States of America (including its territories and possessions), to residents, citizens thereof or companies or partnerships organized pursuant to the law of the States thereof ("U.S. persons").

This Prospectus does not constitute and may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such solicitation. It is the responsibility of any person in possession of this Prospectus and of any person wishing to apply for Shares to inform himself and to observe all relevant laws and regulations of the relevant jurisdiction.

The information contained in this Prospectus is supplemented by the financial statements and further information contained in the latest annual and semi-annual reports of the Fund, copies of which may be requested free of charge at the registered office of the Fund or at the offices of Partners Advisers S.A. or Trendtrust S.A.

This Prospectus is not intended to impart individual legal, tax or financial advice; investors should inform themselves of, and when appropriate, consult their own professional advisers on the legal, tax and other consequences of owning Shares, including reference to the laws of their country of citizenship or domicile. The Board of Directors of the Fund (the "Board of Directors" or the "Directors") have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which makes misleading any statement herein, whether of fact or of opinion. The Directors accept responsibility for the accuracy of the information contained in this Prospectus on the date of publication accordingly.

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# I. Information on the Fund

## A. Principal Agents

### 1. The Fund

A.R.T. – ABSOLUTE RETURN TARGET Fund, a Fund of Funds organised under the laws of Luxembourg as a Société d'investissement à capital variable, which offers investors a choice between several Sub-Funds.

### 2. Sub-Fund(s)

As of the date of this Prospectus, the Fund has three Sub-Funds, i.e.:

- A.R.T. – ABSOLUTE RETURN TARGET Fund - Class A,
- A.R.T. – ABSOLUTE RETURN TARGET Fund – Class B and
- A.R.T. – ABSOLUTE RETURN TARGET Fund – Class C

### 3. The Co-Sponsors

PARTNERS ADVISERS S.A.  
12 rue François Bonivard  
CH-1201 GENEVA  
Tel: + (41) 22 716 00 60  
Fax: + (41) 22 716 00 61  
E-mail: main@advisers.ch

TRENDTRUST S.A.  
3 rue du Mont-Blanc  
CH-1201 GENEVA  
Tel: + (41) 22 908 11 60  
Fax: + (41) 22 908 11 61  
E-mail: main@trendtrust.com

## 4. Board of Directors

Chairman:

Mr. Luc Estenne, Director of Partners Advisers S.A., Geneva, Switzerland

Directors:

Mr. Hugues Janssens van der Maelen, Director of Trendtrust S.A., Geneva, Switzerland

Mr. Andrea Manghi, Director of Trendtrust S.A., Geneva, Switzerland

Mr. Peter H. Fletcher, an experienced investment professional, specialized in alternative investments, Geneva, Switzerland

Mr. Edward de Burlet, Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr. Geoffroy Linard de Guertechin, Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr. Benoît de Hults, Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr. Serge Muller, Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

Mr. Guy Verhoustraeten, Senior Vice-President of Banque Privée Edmond de Rothschild Luxembourg

## 5. Investment Adviser and Principal Distributor

TT PARTNERS LTD  
75 Fort Street  
P.O. Box 1350 George Town  
Grand Cayman, Cayman Islands

## 6. Custodian Bank, Registrar and Transfer Agent, Domiciliary, Administrative, Paying and Listing Agent

Banque Privée Edmond de Rothschild Luxembourg  
20, Boulevard Emmanuel Servais  
L-2535 Luxembourg  
Tel: + (352) 47 93 46 1  
Fax: + (352) 46 02 16

## 7. Auditors

ARTHUR ANDERSEN  
6 rue Jean Monnet  
L-2180 Luxembourg

## 8. Registered Office

Banque Privée Edmond de Rothschild Luxembourg  
20, Boulevard Emmanuel Servais  
L-2535 Luxembourg  
Tel: + (352) 47 93 46 1  
Fax: + (352) 46 02 16

## **B. Summary and Defined Terms**

### **Business Day**

Any day on which banks in Luxembourg (Grand-Duchy of Luxembourg) are open for business.

### **Conversion Date**

The first Valuation Date of each quarter and for the first time on 31 March 2001

### **Dividends and Distributions**

It is not the intention of the Fund to make distributions of net income or capital gains by way of dividends or distributions unless otherwise decided by the General Meeting of Shareholders. Net income and capital gains are, therefore, effectively represented in the value of the shares.

### **Financial Year**

The financial year of the Fund ends on December 31.

### **Listing**

Application has been made for shares in the Fund to be listed on the Luxembourg Stock Exchange.

### **Minimum Subscription and Minimum Holding**

The minimum subscription and the minimum holding requirement for shares in each Sub-Fund is of USD 100,000 which shall be determined by reference to the Subscription Price paid in respect of the shares held.

### **Net Asset Value**

The total assets minus liabilities and accrued expenses valued at current market prices.

### **Redemption Date**

The first Valuation Date of each quarter and for the first time on 31 March 2001

### **Redemption fee**

A commission not exceeding 2% of the Redemption Price may be charged if required by underlying invested funds.

### **Redemption Price**

The Net Asset Value per share computed on the applicable Valuation Date.

### **Subscription fee**

A sales commission not exceeding 4% of the Subscription Price may be charged to compensate financial intermediaries and other persons who assist in the placement of shares.

### **Subscription Price**

The Net Asset Value per share computed on the applicable Valuation Date.

### **Term**

The Fund has been launched for an indefinite period.

### **UCI**

Undertakings for Collective Investments, i.e. the underlying funds or the "target funds".

### **Unofficial net asset values**

value which are not generally used for the purposes of subscription and redemption of shares of the target funds as provided by the relevant administrators if more recent than their official net asset values.

### **USD**

All references to 'USD' in this Prospectus are to the currency of the United States of America.

### **Valuation Date**

the last calendar day of each month. However, considering the delay for the reception of the NAVs of the target funds, the NAV of the Fund will be calculated within 21 calendar days of the following month.

## II. The Fund

The Fund is a Luxembourg incorporated investment company (société d'investissement à capital variable) which was set up for an unlimited duration in Luxembourg in the form of a "société anonyme" on 20 December 2000, in accordance with the provisions of the Part II of the Law of 30 March 1988 specific to Undertakings for Collective Investment and the Law of 10 August 1915 on Commercial Companies.

The articles of incorporation of the Fund (the "Articles") were published in the Mémorial C on 29 January 2001.

Copies may also be obtained at the registered office of the Fund.

The Fund is registered in the Luxembourg Trade Register under B-79444.

The founding shareholders set up the Fund by subscribing an initial capital of USD 200.000 represented by 2 shares of no par value.

The Fund's consolidation currency is the USD.

The Fund's capital corresponds at all times to the total net asset values of the different Sub-Funds and is represented by shares issued with no face value and fully paid-up. Variations in the capital shall be effected ipso jure and there are no provisions requesting publication and entry of such in the Trade Register as prescribed for increases and decreases of capital of limited companies. The Fund's minimum capital is the equivalent in USD of 50 million Luxembourg francs.

The Fund offers investors, within the same investment vehicle, a choice between several Sub-Funds (the "Sub-Funds"). The Board of Directors of the Fund may, at any time, decide the creation of further Sub-Funds and in such case, this Prospectus will be updated.

Currently, 3 Sub-Funds are available to investors:

- A.R.T.- Absolute Return Target Fund - Class A ("Class A") is a Sub-Fund reserved to clients under discretionary management mandate by Trendtrust S.A or to institutional investors.

- A.R.T.- Absolute Return Target Fund - Class B ("Class B") is a Sub-Fund reserved to clients advised by Partners Advisers.
- A.R.T.- Absolute Return Target Fund - Class C ("Class C") is a Sub-Fund specifically designed for external distribution purposes.

The definition of institutional investors as mentioned in Class A should be understood as defined in the Law of 19 July 1991 as interpreted by the Luxembourg authorities from time to time. For said Class, the Board of Directors will ensure that no shares will be issued or transferred to investors which do not qualify as institutional investors.

Each of the Sub-Funds will follow the same objective and policy.

### III. Investment Objectives of the Fund

The Fund's main objective is to achieve medium and long-term growth of its assets with a risk-adjusted performance better than the market and while protecting the invested capital. The Fund will pursue its objective by investing most of its assets in securities of other open-ended undertakings for collective investment ("UCI"), namely, mutual funds ("fonds commun de placement") or investment companies, using non conventional or alternative asset management strategies.

The Fund cannot guarantee that this objective will be met.



## IV. Investment Policy of Each Sub-Fund

The objective of each Sub-Fund is to achieve superior risk adjusted returns by investing mainly in Hedge Funds (i.e. which are unregulated foreign investment funds) specialising in a) investing strategies whereby the said funds invests long and short in a variety of financial instruments which respectively are perceived as being under valued and over valued by the manager of the target fund b) a variety of non market dependent strategies where the aim is to exploit, opportunistically, the perceived value discrepancies between equivalent, fungible, or similar groups of securities.

The style seeks to exploit the differences in relative value of economically similar investments by simultaneously buying and selling securities. By capturing the "spread" or value differential between securities and any group of investments superior returns can be achieved with less reference to the performance of the underlying market.

The UCIs in which each Sub-Fund invests will be carefully selected on the basis of the safeguards offered by the structure of the UCIs in which the Sub-Fund proposes to invest like the submission of the manager to an investment management regulatory organisation or the fact that said UCIs have a first class depositary bank or a reputed auditor.

The UCIs in which the Fund invests may invest in any geographical area.

Each Sub-Fund may, under normal circumstances not invest less than 60% of its net assets, in UCIs which are open-ended "hedge" UCIs (whereby the term "open-ended" shall mean that redemptions of the shares or units in such UCIs are allowed at least on a quarterly basis) or closed-ended "hedge" UCIs (listed on an official exchange, or dealt in on another recognised market which is regulated, operating regularly and open to the public);

In addition, the Board of Directors of the Fund reserves the right, in order to protect investors to invest a maximum of 40% of the net assets of each Sub-Fund :

(i) in open-ended UCIs which are not qualified as Hedge Funds, but have been formed or organised under the laws of Canada, Hong Kong, Japan, Switzerland, the United States, any member-State of the European Union ("EU") and are investing in transferable securities (but which do not necessarily comply with the European Directive 85/611/CEE) or cash without any geographic restrictions).

(ii) in securities such as stocks and bonds, as well as in warrants on transferable securities within the limits laid down in the heading concerning "Investment Restrictions".

(iii) and to hold cash or money market instruments similar to cash taking into account the principle of spreading risks.

Each Sub-Fund may use techniques and instruments on transferable securities or which are intended to hedge exchange risks, within the limits described in the Appendix I "Financial Instruments and Techniques". In exceptional circumstances, when market conditions so require, each Sub-Fund may be fully invested in cash equivalents in order to protect the interests of the investors.

#### **A. Alternative vs Traditional Asset Management**

Traditional asset management is based on the assumption of market efficiency. According to this principle, it is impossible to achieve long-term returns above the market without having to increase the risks to inappropriate levels. The premise of alternative asset management, however, is that markets are inefficient and that by exploiting market inefficiencies, it is possible to achieve better performances without having to increase the level of risks. The main principles of alternative asset management are the following:

- Alternative asset management intends to offer the investor the opportunity to capture or participate in market upside while limiting the downside risk. Accordingly, because of this capital protection objective, the alternative asset management should offer better risk-adjusted performance and less volatile returns than the market.
- Traditional asset management aims at delivering a performance which beats a pre-defined index benchmark while adopting an indexed and/or passive management. Accordingly, the performance is measured in relative terms. Alternative asset management however aims at delivering absolute performance independently of the market (in bull, bear

and flat markets) while adopting a dynamic approach to asset management.

- Accordingly, traditional asset management will tend to produce performances that are correlated to market indices while alternative asset management should produce returns that are less correlated to market indices. Ideally, the returns should be highly correlated in bull markets and not correlated in bear markets.
- Traditional asset management focuses on creating portfolios of securities by creating long positions, mostly in equities and fixed-income. Alternative asset management not only uses long positions but also short positions. Moreover, the use of derivative financial instruments, either to hedge or to increase market exposure, is not limited in alternative asset management.
- In traditional asset management, the uses of leverage is banned or limited. In alternative asset management, leverage can be used and may be very important.

#### **B. Hedge Fund: The Basic Concept**

The initial investment vehicle of alternative asset management is the "Hedge Fund", also called "Absolute Return Fund" which was created in the 1940's by Alfred Winslow who created the A. W. Jones & Co.

Partnership. As opposed to some very complex current structure, his was very simple. His fund aimed at limiting the systematic market risk by combining long and short equity positions and using his stock picking skills. Using this approach, Alfred Winslow has been able to achieved better returns than the one produced by a long only approach.

#### **C. Hedge Fund: A Contemporary Definition**

Since then, the "Hedge Fund" concept has widened to include a variety of alternative investment strategies. Far from being a homogeneous group, Hedge Funds today cover different styles. Some implement a well defined investment strategy while others are more opportunistic, some are highly leveraged while other simply do not use any leverage, some are highly risky while others are much more defensive. Among the main hedge fund strategies are the following:

- Long/Short Equity Strategies  
These alternative investment strategies implement the founding concepts of hedge fund by exploiting the price movement difference of a basket of long equity positions and a basket of short equity positions.
- Macro Strategy  
These strategies not only invest in long/short equity portfolio but also invest a large portion of their

assets in government bonds, currencies, futures or forward contracts, options and other derivative instruments in order to potentially benefit from macroeconomic analysis or forecasts related for instance to the level of interests rates, currencies or equity markets. Accordingly, these strategies implement a "top-down" analysis rather than a "bottom-up" approach and often use a high level of leverage.

- Arbitrage or Relative Value Strategies

These strategies are based on the following principle: when there is a price discrepancy between two financial instruments which are closely related, a relative value position can be established through the simultaneous purchase of the undervalued instrument and the sale of the overvalued one. If the relationship between these two financial instruments becomes fairly priced, a profit can be made. Convertible arbitrage strategies, fixed income arbitrage strategies and capital structure arbitrage are all arbitrage or relative value strategies.

These strategies concentrate on securities of companies involved in important transactions such as merger, acquisition, take-over, spin-off, liquidation, restructurings, and other type of similar transactions. These strategies benefit from the value differential between the price of the security before the transaction and after the transaction.

- Distressed Securities Strategies

These strategies invest, among other things, in troubled companies or companies which are near bankruptcy, in bankruptcy or coming out of bankruptcy. The interest of these strategies lies in the fact that these companies tend not to be fairly priced vis-à-vis the fundamental value of their net assets. This under-evaluation are often related to the difficulties of conducting a thorough financial analysis of a distressed company, to the legal complexity surrounding the evaluation of assets or, simply, to the lack of information.

- Event-Driven Strategies

## V. Investment Restrictions

The Board of Directors has resolved that a Sub-Fund may not:

1. Acquire more than 10% of the securities of the same kind issued by a single issuer or 20% of the securities of the same kind issued by a single UCI. These restrictions shall also be applicable to the Fund as a whole;
2. Invest more than 10% of its net assets, in securities issued by a single issuer or 20% of its net assets in securities issued by a single UCI;
3. Invest more than 40% of its net assets, in securities issued by UCIs managed by or with the assistance of the same investment managers or investment advisers or their affiliates;
4. Invest less than 70% of its net assets, in UCIs which are open-ended UCIs (whereby the term "open-ended" shall mean that redemptions of the shares or units in such UCIs are allowed at least on a quarterly basis) or closed-ended UCIs (listed on an official exchange, or dealt in on another recognised market which is regulated, operating regularly and open to the public), provided that at least 50 % of its net assets are at any time invested in open-ended UCIs;

5. Invest more than 10 % of its net assets, in securities which are neither listed on an official exchange nor dealt in on another market which operates regularly and is recognised and open to the public, except that this limit may be increased up to 25 % of the net assets for investments in UCIs which allow for redemptions of their shares or units at least once every year and that there shall be no limitation for investments in open-ended UCIs which normally allow for redemption of their shares or units at least on a quarterly basis;

Investments in shares or units of UCI's which may not be redeemed during a period exceeding one year shall be subject to the condition that the investment adviser or the sponsor of that UCI or the controlling shareholder of the Manager shall have agreed to assist the Fund on a best efforts basis in finding potential buyers for such investments if it should wish to dispose of them.

This restriction does not apply to securities for which a listing has been requested and are obtained within one year, in which case they are considered as listed securities;

This restriction does not apply either to money market instruments issued by first class issuers which are either traded regularly, or which have a residual maturity of less than 12 months, provided that the average residual maturity of all money market instruments which are not traded regularly does not exceed 120 days;

6. Acquire shares or units of UCIs which, in accordance with their investment policy, principally invest in other UCIs;
7. Without prejudice to the application of the provisions set out above:

i) Borrow or otherwise use leverage exceeding 25% of each Sub-Fund's net assets, provided that no more than 15% of each Sub-Fund's net assets may be used for investment purpose. The remaining portion of 10 % of each Sub-Fund's net assets may solely be used to bridge short term liabilities, including for the satisfaction of redemption requests.

ii) Grant loans,

- |  |   |
|--|---|
| iii) Act as guarantor on behalf of third parties,  | The commitments of the Fund are limited to its participation in the target UCIs.  |
| iv) Carry out uncovered sales of securities, provided however that the UCI, in which the Fund shall invest, may carry out such short sales;  | The Fund may not place the assets of a Sub-Fund in "Managed Accounts", neither directly, nor indirectly through a subsidiary of the Fund.   |
| v) Invest in physical commodities or other physical assets (such as art, antiques, etc) provided that the individual UCIs may, under exceptional circumstances, be compelled to acquire physical commodities positions for a limited period of time. | <p>The Board of Directors may from time to time impose further investment restrictions as shall be compatible with or in the interest of the shareholders, in order to comply with the laws and regulations of the countries where the shares of the Fund are distributed.</p> <p>The restrictions set forth above shall only be applicable at the time where the relevant investment is made. If the restrictions are exceeded as a result of any events other than the making of investments, the situation shall be remedied taking due account of the interest of the Shareholders.</p> |

## VI. Risk Factors

### A. General Risk

**Prospective investors should be aware that an investment in the Fund involves a high degree of risk, including the risk of loss of the entire amount invested.** The managers of the target funds of Directors may invest in and actively trade instruments with significant risk characteristics, including risks arising from the volatility of securities, financial futures, derivatives, currency and interest rate markets, the leverage factors associated with trading in such markets and instruments, and the potential exposure to loss resulting from counterparty defaults. There can be no assurance that a Sub-Fund's investment program will be successful or that the investment objective of a Sub-Fund will be achieved. Shares in the Fund may fluctuate in price and value, and the value of the shares may decline below the amount originally invested.

Despite a strict Due Diligence procedure used to select and monitor the individual funds in which the assets of the Fund are invested, there can be no assurance that the past performance information will be indicative of how such investments will perform (either in terms of profitability or correlation) in the future. Upon a redemption of shares or the liquidation of the Fund, investors may receive less than the amount invested.

The Fund intends to invest in UCIs which pursue a speculative investment policy. These UCIs will generally fall in the category commonly known as "hedge funds" or "alternative investments". Some investments may also be made in UCIs which trade in commodities futures and options, currencies and currency contracts or financial instruments. Thus, such UCI use specific investment and trading techniques such as investments in options, use of futures or short sales of securities. The Fund will seek to achieve risk diversification by selecting UCIs managed by different managers with different investment styles or investing in different areas.

### B. Lack of Regulatory Supervision

The Fund is permitted to invest in UCIs established in jurisdictions where no or less supervision is exercised on such UCIs by regulators. Although the Fund will ensure that in any such event other safeguards are provided for the protection of the interest of the shareholders of such UCIs, such protection may be less efficient as if a supervision by a regulator was exercised. Further the efficiency of any supervision or of other safeguards may be affected by a lack of precision of investment and risk diversification guidelines applicable to, and the flexibility of the investment policies pursued by, such UCIs. However, in order to minimize these risks, a Due Diligence procedure has been put in place setting out various

criteria for the selection of UCIs (see below "Due Diligence Process").

### C. Illiquidity of the UCIs

Although the Board of Directors will seek to select UCIs which offer the opportunity to have their shares or units redeemed within a reasonable time frame, there is no assurance that the liquidity of the investments of such UCIs will always be sufficient to meet redemption request as, and when made. Any lack of liquidity may affect the liquidity of the shares of the Fund and the value of its investments.

For such reasons the treatment of redemption requests may be postponed in exceptional circumstances including if a lack of liquidity may result in difficulties to determine the Net Asset Value of the shares of the Fund and consequently a suspension of issues and redemptions.

### D. Fee Structure

The Fund incurs the costs of the fees paid to the Adviser and the Custodian and other service providers as well as a prorata portion of the fees paid by the UCIs in which the Fund invests to their Advisers or other service providers. As a result the operating expenses of the Fund may constitute a higher percentage of the net asset value than could be found in other investment schemes. Further, some of the strategies employed at the level of the UCIs require frequent changes in trading

positions and a consequent portfolio turnover. This may involve brokerage commission expenses to exceed significantly those of other investment schemes of comparable size.

The Investment Adviser or the Co-Sponsors will not receive from the target UCIs any commissions, rebates or soft dollar linked to these investments. If the Investment Adviser or the Co-Sponsors may negotiate with the target UCIs any reduction of fees, it will be for the benefit of the Fund.

Potential investors should be aware that the advisory and performance fees payable to the Adviser are in addition to the fees paid by the invested UCIs to their managers and advisers and that, there may be a duplication of fees.

However, in any event, there will be no duplication of advisory or management fees, should the Fund invest in UCIs managed or advised by the co-sponsors and its affiliates. Accordingly, the Fund shall not incur any fee or expense payable to such UCIs.

#### **E. Leverage**

Certain UCIs in which the Fund invests, operate with substantial degree of leverage and are not limited in the extent to which they either may borrow or engage in margin transactions. The positions maintained by such UCIs may in aggregate

value be in excess of the net asset value of the Fund. This leverage presents the potential for a rate of total return but also increases the volatility of the Fund, including the risk of a total loss of the amount invested.

Potential investors should also be aware that the Fund may borrow or otherwise use leverage up to 25% of each Sub-Fund's net assets, provided that no more than 15% of each Sub-Fund's net assets may be used for investment purpose and that higher risks linked to said borrowing for investment purposes may be borne by the Fund taking into account that the return on investments shall not necessarily cover the charges linked to said borrowings.

#### **F. Short Sales**

The UCIs in which the Fund invests may engage in short selling of securities which may expose the portion of the UCI's assets committed to such activities to unlimited risk due the lack of an upper limit on the price to which a security may arise. However, to the extent that the Fund participates in short selling activities through a UCI, the Fund's losses will be limited to the amount invested in the particular UCI.

#### **G. Absence of Custodian Banks**

Some of the UCIs in which the assets of the Fund are allocated have a broker as a custodian instead of a bank. In certain cases these brokers may not have the same credit rating

as a bank. In addition, contrary to custodian banks in regulated environments, these brokers will perform only safekeeping functions with no statutory supervisory obligations.

#### **H. Conflict of Interest**

Conflicts of interests may arise between the Fund and the persons or entities involved as advisers in the management of the Fund and/or the managers of the UCIs in which the Fund invests. The managers normally manage assets of other clients that make investments similar to those made on behalf of the undertakings in which the Fund invests. Such clients could thus compete for the same trades or investments and whilst available investments or opportunities for each client are generally allocated in a manner to be believed equitable to each, some of those allocation procedures may adversely affect the price paid or received for investments or the size of positions obtained or disposed.

Conflicts may also arise as a result of the other services provided by the co-sponsors or their affiliates which may provide advisory, custody or other services to the Board of Directors, to other clients and some of the other UCIs in which the Fund invests. Similarly the Directors of the Fund may also be Directors of UCIs in which the Fund may invest or of companies being active in the sector of alternative strategies and the interests of such UCIs or companies



and of the Fund could result into conflicts.

Furthermore, some managers have an equity stake in their own fund. Conflicts of interest can therefore not be ruled out at the level of the UCIs. Should such conflicts of interest arise, a fair solution for all parties must be found and conflicts must be resolved on an arm's length basis.

#### **I. Nature of Investments in the Fund**

Although the Board of Directors seeks to monitor investments and trading activities of the UCIs to which the Fund has allocated assets, investment decisions are normally made independently at the level of such UCI and it is possible that some managers of the target funds will take positions in the same security or in issues of the same industry or country or in the same currency or commodity at the same time. Consequently, the possibility also exists that one UCI purchases an instrument at about the same time when another UCI decides to sell it. There is no guarantee that the selection of the managers of the target funds will actually result in a diversification of investment styles and that the positions taken by the underlying UCIs will always be consistent.

The assets of the Fund may also be allocated to UCIs whose primary investment strategies include speculative trading of commodities futures and/or financial futures contracts and currencies. Commodity and currency futures prices can be highly volatile because of the low margin requirements in futures trading. An extremely high degree of leverage is typical for futures trading accounts. As a result, a relatively small price movement in a futures contract may result in substantial losses or gains to the investor. Similarly some of the UCIs may have the majority of their assets invested in options and other geared instruments, where a relatively small price movement in the underlying security or commodity may result in substantial losses or profits.

There are only very limited constraints on the investment strategies and techniques that can be employed by the managers of the target UCIs.

As a result of its diversified investments, the Fund may incur other risks, including currency exchange risks in respect of assets held in other currencies, tax risks in respect of assets invested in other jurisdictions, political risks relating to political, social and economic factors which may affect the assets of the UCIs in which the Fund invests, which are held in countries which may be subject to economic difficulties, political or social unrest. The foregoing list of risks factors does not purport to be a complete explanation of the risk involved. Prospective investors should read the entire Prospectus and fully evaluate all other information that they deem to be necessary for determining to invest in the Fund. Prospective investors should ensure that they fully understand the content of this Prospectus.

ACCORDINGLY, INVESTMENT IN THE SHARES OF THE FUND IS ONLY APPROPRIATE FOR INVESTORS WHO ARE WILLING TO ACCEPT THE RISKS AND REWARDS STEMMING FROM SUCH AN APPROACH.



## VII. Due Diligence Process

The Due Diligence Process involves the following two steps:

### A. Quantitative Analysis

The quantitative analysis focuses on the statistical evaluation of the historical performance of a target fund's manager over different periods of time. By using a certain number of ratios it allows one to view various measures of risk and reward as well as compare the returns of a target fund's manager to those of another, or to those of an appropriate set of market indices, in order to determine correlation of returns or perform style analysis. Quantitative analysis alone, however, by focusing on past performance, is an unreliable prognosticator of future results. Moreover, in order to be truly useful, statistical analysis has to cover a reasonable measurement period. The idea is to test a target fund's manager's skill over a full market cycle. Quantitative analysis, therefore, has to be combined with a thorough qualitative analysis which will attempt to highlight various factors which may affect the performance of given target fund's manager and increase, or decrease, ones level of confidence in him.

### B. Qualitative Analysis

The qualitative analysis allows one to differentiate between two apparently identical "statistical profiles" by assessing, among others, the following key points on a given target fund's manager or UCI:

- *Characteristics and driving forces*

*of the target fund's manager's investment strategy.* Is it well defined, what are the risks and are they efficiently controlled by the target fund's manager and his organization? In order to answer these questions, one has to go beyond the information contained in the disclosure document of a target fund's manager and endeavour, among other things, to understand how consistent a target fund's manager has been in applying his strategy and how susceptible it is to evolve over time both in relation to developments in financial markets and to assets under management. In addition, one will want to assess the type and liquidity of financial instruments used by the target fund's manager, the diversification of portfolio and concentration of investment positions, the use, if any, of leverage and derivatives and, more broadly, the general structure of the target fund's manager's current portfolio.

- *Background of the target fund's manager and of the principals in his organization.* This involves checking the target fund's manager's regulatory history, his background, reputation within the industry and whether he had less successful past experiences as an investment manager. The same should be sought for the principals of his organization in

order to gain insight into how the latter and the target fund's manager might act in the future.

- *Structure of the UCI.* This point is often overlooked by investors. Other than a perfunctory look at the offering document of the UCI to be familiar with the fee structure and the subscription and redemption conditions, investor will generally not get involved in analyzing the details of the UCI structure and in assessing the quality of the various parties involved in the UCI. The due diligence procedure, however, should include a review of the various parties involved in the "life" of the UCI, such as the custodian, the offshore administrator, the auditor and the legal advisor. Special attention must also be paid to corporate governance issues such as the existence, or not, of an independent board of directors or supervisory board of directors or supervisory board made up of people with the necessary background, experience and independence to fulfil their responsibilities.

## VIII. Management of the Fund

### A. The Investment Adviser and Principal Distributor

The Fund's Directors are responsible for the determination, execution and control of the Fund's investment policies that are applied to the management of the Sub-Funds.

To determine the investments, the Directors shall be assisted by an Investment Adviser. The Directors are not under the obligation to follow the recommendations made by the Investment Adviser.

TT PARTNERS LTD (hereinafter referred to as the "Investment Adviser" or "Principal Distributor"), was incorporated on 27 December 2000 as an exempted limited liability company under the laws of the Cayman Islands, and its activities consist in providing the Company with investment advisory services in hedge fund and alternative investment and assistance in the development of its marketing strategy and advice to investors. In case of delegation of the duties of the Investment Adviser to (a) specific sub-adviser(s), the prospectus shall be amended accordingly.

Under the terms of an agreement dated 27 December 2000, TT PARTNERS LTD was appointed Investment Adviser and Principal Distributor (i) to assist and advise the Company in the daily management of its portfolio, (ii) to provide the Company, on an ancillary basis with assistance in

the selection of one or several selling agents or business intermediaries and to provide such intermediaries as well as investors with general information relative to economic and financial developments as well as trends that might affect shareholder investments in the Sub-Funds, as well as all other information or assistance required by shareholders in direct relation with their investments in the Sub-Funds.

The agreement signed between the Fund and the Investment Adviser and Principal Distributor is for an unlimited period. It can be cancelled at any time by either party with notice of three months, or unilaterally by the Company in case of serious error on the part of the Investment Adviser and Principal Distributor.

Information about the advisory fee will be found in the Chapter Fees and Expenses.

### B. The Custodian Bank and Central Administration

BANQUE PRIVEE EDMOND DE ROTH-SCHILD LUXEMBOURG, a Société Anonyme, (the "Custodian Bank") has been appointed Custodian of the Fund's assets in accordance with an Agreement for an undetermined duration, signed on 20 December 2000.

Each of the parties may terminate the Agreement subject to 90 days' notice.

BANQUE PRIVEE EDMOND DE ROTH-SCHILD LUXEMBOURG is a Company in the form of a Société Anonyme, which was granted statutory recognition as a bank on 24 October 1988 in Luxembourg and whose Registered Office is at 20 Boulevard Emmanuel Servais, Luxembourg.

The safe-keeping of the Fund's assets has been entrusted to the Custodian Bank who shall fulfil the obligations and duties stipulated by law.

The Fund's assets shall be deposited with the Custodian and/or the Custodian's Correspondents under the supervision of the Custodian. The Custodian shall exercise all reasonable care in the selection and supervision of its Correspondents and the Custodian shall be liable for proper instructions and transfer of the Fund's assets to such Correspondents. Unless the Custodian has been negligent in the performance of its duties the Custodian shall not be liable to the Fund for the Correspondents' failure to perform their obligations and unless the Custodian has been negligent in the selection and supervision of any such Correspondent the Custodian shall not be liable to the Fund for losses resulting from the bankruptcy or insolvency of a Correspondent. In such case the Custodian shall be liable to the Fund only to the extent that the Correspondents are liable to the Custodian and the Custodian shall

be obliged to credit to the Fund only such assets as will be returned by the Correspondents where the assets have been placed.

As the Domiciliary, Registrar, Transfer and Administrative Agent, Banque Privée Edmond de Rothschild Luxembourg is also responsible for the general administrative functions of the Fund required by Luxembourg law and for processing the issue and redemption of shares, the calculation of the Net Asset Value of the shares in the Fund and the maintenance of accounting records for the Fund.

The Custodian has no duty to control the compliance of the Fund with its investment policy and restrictions.

The fees for the Custodian's services are charged in accordance with usual bank fees. The Custodian will be entitled to a commission payable quarterly, pro rata temporis, based on the average of the net assets of each Sub-Fund calculated on each Valuation Date.

#### **C. The Auditor**

Arthur Andersen has been appointed as Auditor of the Fund.

## IX. The Shares

The shares will be issued in registered form only. No share certificates will be issued. A confirmation of registration in the register of shareholders will be sent to shareholders.

The ownership of shares will be established by an entry in the register of shareholders maintained by the Administrative Agent at 20, Boulevard Emmanuel Servais, Luxembourg.

Fractions of registered shares of five decimal places shall be issued. Fractions of shares have no voting rights, but have rights to dividends and liquidation proceeds.

The Fund's capital corresponds at all times to the net asset value of the Fund and is represented by shares issued with no par value and fully paid-up. The Fund's minimum capital is the equivalent in USD of LUF 50,000,000, which amount must be reached within 6 months after the date of registration of the Fund as a collective investment undertaking.

The Board of Directors may restrict or prevent the ownership of the Fund's shares as stated in the paragraph "Restriction on ownership of shares" and the Registrar and Transfer Agent will apply the measures mentioned in the "Statutory Anti-Money Laundering Notice & Regulation and Ownership Limitations" Appendix II.

## X. Distribution

It is not the intention of the Fund to make distributions of net income or capital gains by way of dividends or distributions. Capital gains and all incomes will be reinvested.

However, each year, the Board of Directors may propose to the shareholders of any Sub-Fund at the annual meeting of Shareholders the payment of a dividend in compliance with Luxembourg law.

Whenever the Fund declares a cash dividend, dividends will be paid to each registered shareholder normally by wire transfer or cheque mailed to the address shown on the register of shareholders. Dividend payments are restricted by law insofar as they cannot reduce the net assets of the Fund below the required minimum capital (presently the equivalent of 50 million Luxembourg francs).

Dividends not cashed within 5 years from their due date will be forfeited and will accrue for the benefit of the Sub-Fund in respect of which the dividend was declared.

## XI. Issue, Conversion and Redemption of Shares

### A. Issue of Shares

Initial applications for new investors for shares must be for a minimum of USD 100,000 per Sub-Fund inclusive of any applicable subscription fee.

Shareholders must be invested at any time a minimum of USD 100,000. In the event that, after redemption or conversion, the investment will represent an amount inferior to USD 100,000, the Board of Directors may decide, on a discretionary basis, to compulsorily repurchase or convert the remaining shares.

Subscriptions may be made for an amount only.

Subscriptions amount will be reduced by any subscription fee if applicable.

The Directors are authorized to issue shares of each Sub-Fund at all times and without limits.

#### Initial subscription

Subscriptions for the initial offer of shares of the Classes A, B and C, which began on 20 December 2000 and ended on 27 December 2000, have been accepted at an initial subscription price of USD 100,000 per share. Payment for initial subscription have been made for good value on 27 December 2000.

Subscription applications have been received by the Fund before 6.00 p.m. (Luxembourg time) on the last

day of the initial subscription period at the latest.

In addition, a subscription fee in favour of the Principal Distributor has been charged up to a maximum amount of 4 % of the initial subscription price.

#### Current Subscription

Subscriptions may be made directly to the Registered office of the Fund.

Subscription applications received by the Fund before 6.00 p.m. (Luxembourg time) on the third Luxembourg business day preceding a Valuation Date will be executed, if accepted, on the basis of the net asset value determined on such Valuation Date. Applications received after this deadline will be executed on the following Valuation Date.

The subscription fee in favour of the Principal Distributor may be charged up to a maximum amount of 4 % of the Net Asset Value per share.

The subscription amount will be received at the Custodian on the third Luxembourg business day preceding the Valuation Date.

Subscription monies are payable in the Sub-Fund Reference Currency. Applications in any major freely convertible currency will be accepted but in such case, the conversion costs (ie conversion rate and conver-

sion fee) will be borne by the investors.

After the Net Asset Value calculation, the Fund will inform the shareholder as to the number of shares obtained as well as the applicable price.

#### Restriction of Ownership of Shares

The Fund reserves the right to:

(a) refuse all or part of a subscription application for shares.

(b) repurchase, at any time, shares held by investors not authorized to buy or own the Fund's shares.

The shares of the Fund cannot be acquired or held directly or indirectly by United States persons (nationals or residents) as the shares have not been registered under the United States Securities Act of 1933 .

In particular, the Fund may restrict or prevent the ownership of shares in the Fund by any person, firm or corporate body or by any " United States person ". The shares have not been registered under the United States Securities Act of 1933 and, except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States person.

For this purpose, " United States person " includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory or possession thereof, or any estate or trust, other than estate or trust the income of which is not subject to United States federal income taxation regardless of its source. The attention of any United States person is drawn to the section " Issue of shares " and on the compulsory redemption powers of the Fund above.

The Fund may restrict or prevent the ownership of shares of the Fund specifically but without limitation, by any shareholder who would beneficially own more than 10 per cent of the shares of each Sub-Fund of the Fund (a "ten percent owner") and for such purposes the Fund may:

- decline to issue any share and decline to register any transfer of a share where it appears to the Fund that such registration or transfer would or might result in beneficial ownership of such share by a United States person or a ten per cent owner.
- at any time require any person whose name is entered in the Register of Shareholders to provide information, supported by an

affidavit, which the Fund may consider necessary for the purpose of determining whether or not beneficial ownership of such shareholder's shares rests or will rest with United States persons or ten per cent owners; and

- where it appears to the Fund that any United States person either alone or in conjunction with any other person is a beneficial owner of shares, compulsorily repurchase such shares from any such shareholder.

#### **B. Conversion of Shares**

Shares of one Sub-Fund may be converted into shares of another Sub-Fund if the applicants do comply with the eligibility criterias of the said target class.

Such conversion will be accepted upon request at a price corresponding to the net asset value per share of the relevant Sub-Fund without conversion fee.

Any shareholder wishing to convert part or all of his holding should deliver a request for conversion in writing, by telex or fax to the Fund to the Registered Office of the Fund indicating the number of the shares to be converted from one Sub-Fund to another.

Conversion requests are irrevocable except in the case of suspension of the calculation of the net asset value as described in chapter "Suspension of the Calculation of Net Asset Value and of the Issue, Repurchase and Conversion of Shares".

An application to convert must reach the Fund at the latest by 6pm Luxembourg Time, 63 calendar days preceding the Conversion Date on which the transfer is to be effected. Applications sent after this deadline shall be executed on the next applicable Conversion Date.

Upon decision of the Board of Directors, the application for conversion may be taken into account, after notification in writing of the concerned shareholders, at an earlier Valuation Date ie a Valuation Date which occurs before the next applicable conversion Date. In this case, all applications received for a specific Conversion Date will be taken into account on that Valuation Date, provided the Board of Directors do not opt for the deferral procedure mentioned under the section "Redemption of shares", in case where conversion requests, taken together with the redemption requests applicable on the same day exceed 10 % of the issued shares.

The number of shares allotted to the new Sub-Fund will be established according to the following formula:

$$A = \frac{(B \times C)}{D}$$

- A equals the number of shares to be allotted in the new Sub-Fund
- B equals the number of shares to be converted from the initial Sub-Fund
- C equals the net asset value, on the applicable Valuation Date, of the shares to be converted from the initial Sub-Fund
- D equals the net asset value, on the applicable Valuation Date, of the shares to be allotted in the new Sub-Fund.

After the conversion, the Fund will inform the shareholder as to the number of new shares obtained as a result of the conversion as well as the price.

### C. Redemption of Shares

At any Redemption Date, the shareholder of any Sub-Fund is entitled to have his/her shares repurchased by the Fund at his/her request at the Net Asset Value less any applicable redemption fee. A redemption fee of up to 2% of the net asset value of the shares redeemed may be applied, or may be waived in whole or in part at the discretion of the Board of Directors. The redemption fee (if any) will be paid for the redeemed Sub-Fund in order to

compensate the fees required by underlying invested funds. The same percentage of redemption fee will be applicable to all redemption requests received for a specific Redemption Date.

Shares repurchased by the Fund shall be cancelled.

### Repurchase procedure

Any shareholder wishing to redeem part or all of his holding should deliver a repurchase application which must be sent to the Fund in writing, by telex or fax. The application is irrevocable except in the case of suspension of the calculation of the net asset value as described in Chapter "Suspension of the Calculation of Net Asset Value and of the Issue, Repurchase and Conversion of shares", and must indicate the number of shares of the Sub-Fund to be repurchased as well as all useful references allowing the settlement of the repurchase such as the name in which the shares to be redeemed are registered, if applicable, and the necessary information as to the investor to whom payment is to be made.

In any case, all repurchase applications must be notified to the Fund in Luxembourg before 06.00pm (Luxembourg time) 63 calendar days preceeding the Redemption Date on which the application is to be effected.

Applications notified after this deadline shall be dealt with on the next applicable Redemption Date.

The payment for repurchased shares shall be made within 45 calendar days following the applicable Redemption Date, provided the Fund has received all the documents certifying the repurchase and in any case before the availability of the Net Asset Value calculated for the following Valuation Date.

Upon decision of the Board of Directors, the application for redemption may be taken into account, after notification in writing of the concerned shareholder, at an earlier Valuation Date ie a Valuation Date which occurs before the next applicable Redemption Date. In this case, all applications received for a specific Redemption Date will be taken into account on that Valuation Date, provided the Board of Directors do not opt for the deferral procedure mentioned below in case where redemption requests, taken together with the conversion requests applicable on the same day exceed 10 % of the issued shares.

The shares which are redeemed will be cancelled by the Fund.

Redemption monies shall be paid in the Sub-Fund's reference currency ie in USD at the current average exchange rate. Reimbursements in



any other major freely convertible currency will be accepted. However, in such case, the exchange costs (ie exchange rate and exchange fee) will be borne by the shareholders.

**The price of the repurchase of shares of the Fund may be higher or lower than the purchase price paid by the shareholder at the time of subscription due to the appreciation or depreciation of the net value of the Fund.**

#### **Deferrals**

**In the event that redemption or conversion requests on any given Valuation Date exceed 10% of the issued shares, the directors may decide that the portion of the redemption/conversion requests exceeding 10% of the shares in issue be deferred to the following Valuation Date and any subsequent Valuation Date for as long as redemption/conversion requests exceed 10%. In the case of deferrals all pending redemption/conversion requests will be reduced proportionally and, for any given Valuation Date, deferred redemption/conversion requests will be dealt with prior to new redemption/conversion requests. The redemption/conversion price applicable to deferred redemption/conversion requests will be the price as at the Valuation Date the portion of the deferred redemption/conversion request has been effectively taken into account.**

#### **Compulsorily repurchase**

In the event that the net assets of a Sub-Fund are less than the equivalent of USD 5,000,000 for a period of at least six consecutive months, the Board of Directors may decide on the basis of the conditions laid down in the chapter "Dissolution and Merger of Sub-Fund" to compulsorily repurchase all the remaining shares of the Sub-Fund. Such redemption will be made at the net asset value applicable on the day on which all assets attributable to such Sub-Fund have been realized (see "Liquidation").

## XII. Valuation of Shares

The Net Asset Value is dated as at the last calendar day of each month ("Valuation Date") (i.e. apart from the legal or bank holidays, for which the Valuation Date will be the preceding business day) under the responsibility of the Fund's Board of Directors. However, considering the delay for the reception of the NAVs of the target funds, the NAV of the Fund will be calculated within 21 calendar days of the following month.

The net asset value of shares of each Sub-Fund shall be expressed in USD and any other currency as the Directors shall from time to time determine as a per share figure and shall be determined in respect of each Valuation Date by dividing the net assets of the Fund corresponding to each Sub-Fund, being the value of the assets of the Fund corresponding to such Sub-Fund less the liabilities attributable to such Sub-Fund, by the number of shares of the relevant Sub-Fund outstanding and shall be rounded up or down to the second decimal place of the currency in which the net asset value of the relevant shares is calculated.

The Fund's consolidation currency is the United States Dollar .

The net assets of the different Sub-Funds of the Fund shall be assessed as follows:

### **I. In particular, the Fund's assets shall include:**

1. all cash at hand and on deposit, including interest due but not yet collected and interest accrued on these deposits up to the Valuation Date.
2. all bills and demand notes and accounts receivable (including the result of the sale of securities whose proceeds have not yet been received).
3. all securities, units, shares, debt securities, option or subscription rights and other investments and transferable securities owned by the Fund.
4. all dividends and distribution proceeds to be received by the Fund in cash or securities insofar as the Fund is aware of such a distribution.
5. all interest due but not yet received and all interests yielded up to the Valuation Date by securities owned by the Fund, unless this interest is included in the principal amount of such securities.
6. the incorporation expenses of the Fund, insofar as they have not been amortized.
7. all other assets of whatever nature, including prepaid expenses.

The value of these assets shall be determined as follows:

- (a) The value of any cash at hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends and interests declared or due but not yet collected will be deemed to be the full value thereof, unless it is unlikely that such values are received in full, in which case the value thereof will be determined by deducting such amount the Directors consider appropriate to reflect the true value thereof.
- (b) The valuation of any security (including shares or units in closed-end UCI) listed or traded on an official Stock Exchange or any other regulated market operating regularly, recognized and open to the public is based on the last quotation known in Luxembourg on the Valuation Date and, if this security is traded on several markets, on the basis of the last price known on the market considered to be the main market for trading this security. If the last known price is not representative, the valuation shall be based on the probable realization value estimated by the Directors with prudence and in good faith.

(c) Futures and Options are valued by reference to the previous day's closing price on the relevant market. The market prices used are the futures exchanges settlement prices.

(d) Securities not listed or traded on a Stock Exchange or any other regulated market, operating regularly, recognized by and open to the public shall be assessed on the basis of the probable realization value estimated with prudence and in good faith.

(e) Securities expressed in a currency other than the currency of the Sub-Fund concerned shall be converted on the basis of the rate of exchange ruling on the relevant bank business day in Luxembourg.

(f) Swaps are valued at fair value based on the last available closing price of the underlying security.

(g) Investments in open-ended Investment Funds will be taken at their latest official net assets values or at their latest unofficial net asset values (i.e. which are not generally used for the purposes of subscription and redemption of shares of the target funds) as provided by the relevant administrators if more recent than their official net

asset values and for which the Administrative Agent has sufficient assurance that the valuation method used by the relevant administrator for said unofficial net asset values is coherent as compared to the official one.

If events have occurred which may have resulted in a material change of the net asset value of such shares or units in other UCI since the day on which the latest official net asset value was calculated, the value of such shares or units may be adjusted in order to reflect, in the reasonable opinion of the Directors, such change of value.

For the purpose of determining the value of the Fund's assets, the Administrative Agent relies upon information received from various professional pricing sources (including fund administrators and brokers). In the absence of manifest error and having due regards to the standard of care and due diligence in this respect the Administrative Agent shall not be responsible for the accuracy of the valuations provided by such pricing sources.

In circumstances where one or more pricing sources fails to provide valuations for an important part of the assets to the Administrative Agent, the latter is authorized not to calculate a net asset value and as a result may be unable to determine subscription and redemption prices. The

Directors shall be informed immediately by the Administrative Agent should this situation arise. The Directors may then decide to suspend the net asset value calculation, in accordance with the procedures set out in the section entitled "Suspension of the Calculation of Net Asset Value, and of the Issue, Repurchase and Conversion of Shares".

## **II. The Fund's liabilities shall include:**

1. all borrowings, bills matured and accounts due.
2. all liabilities known, whether matured or not, including all matured contractual obligations that involve payments in cash or in kind (including the amount of dividends declared by the Fund but not yet paid).
3. all reserves, authorized or approved by the Directors, in particular those that have been built up to reflect a possible depreciation on some of the Fund's assets.
4. any other commitments of the Fund, except those represented by the Fund's own resources. When valuing the amount of such other liabilities, all expenses to be borne by the Fund must be taken into account and include, with no limitation:

- (a) the costs of incorporation and subsequent amendments to the statutes;
  - (b) charges and/or expenses of the Investment Adviser and Principal Distributor, the managers if any, the Custodian (including any correspondents (clearing system or bank) of the Custodian to whom custody of the assets of the Fund is entrusted), the Domiciliary Agent and any other agents of the Fund as well as the sales agent(s) as provided in their respective agreements with the Fund;
  - (c) the costs of legal counsel and of auditing the Fund's annual accounts;
  - (d) advertising costs;
  - (e) the cost of printing, translating (where necessary), publishing and distributing the semi-annual report and accounts, the annual audited report and accounts and all prospectuses and of publishing prices in the financial press;
  - (f) the costs of holding the shareholders' meetings and the meetings of the Board of Directors;
  - (g) fees (if any) of the Directors and reimbursement to all Directors of their reasonable travelling, hotel and other incidental expenses of attending and returning from meetings of the Directors, or of committees thereof, or general meetings of the shareholders of the Fund;
  - (h) the fees and expenses involved in registering (and maintaining the registration of) the Fund (and/or each sub-Fund) with governmental agencies or stock exchanges to permit the sale of, or dealing in, the material for use in any particular jurisdiction;
  - (i) all taxes and duties levied by the government authorities and stock exchanges;
  - (j) any other operating expenses including financial, bank or brokerage charges incurred when buying or selling assets or otherwise; and
  - (k) all other administrative expenses.
- When valuing the amount of these commitments the Fund shall take account of the administrative or other expenses of a regular or periodic nature pro rata temporis.
- III.** Each of the Fund's shares in the process of being repurchased shall be considered as a share issued and existing until the close of business on the Valuation Date applied to the repurchase of such share and its price shall be considered as a liability of the Fund from the close of business on this date and this until the price has been paid.
- Each share to be issued by the Fund in accordance with subscription applications received shall be considered as issued from the close of business on the Valuation Date of its issue price and its price shall be considered as an amount owed to the Fund until it has been received by the Fund.

IV. As far as possible, all investments and disinvestments decided by the Fund must, in order to be taken into consideration, be transmitted and confirmed by the Broker to the Depositary Bank before 06.00pm (Luxembourg time) the business day preceding the Valuation Date.

V. As regards relations between shareholders each Sub-Fund is treated as a separate entity, generating without restriction its own contributions, capital gains and capital losses, fees and expenses. The Fund constitutes a single legal entity; however with regard to third parties, in particular towards the Fund's creditors, each Sub-Fund shall be exclusively responsible for all liabilities attributable to it.

### XIII. Suspension of the Calculation of the Net Asset Value and of the Issue, Repurchase and Conversion of Shares

The Directors are authorized to temporarily suspend the calculation of the net asset value of one or more Sub-Funds, as well as issues, repurchases and conversions of shares in the following instances:

- (a) for any period during which a market or Stock Exchange which is the main market or Stock Exchange on which a substantial portion of the Fund's investments is listed at a given time, is closed, except in the case of regular closing days, or for days during which trading is considerably restricted or suspended.
- (b) when the political, economic, military, monetary or social situation, or Act of God beyond the Fund's responsibility or control, make it impossible to dispose of its assets through reasonable and normal channels, without seriously harming the interests of shareholders.
- (c) in the case of a breakdown in the normal means of communication used for the valuation of any investment of the Sub-Fund or if, for any reason, the value of any asset of the Sub-Fund may not be determined as rapidly and accurately as required.
- (d) whenever exchange or capital movement restrictions prevent

execution of transactions on behalf of the Fund or in case purchase and sale transactions of the Fund's assets are not realizable at normal exchange rates. Any period when the Fund is unable to repatriate funds for the purpose of making payment on the redemption of share.

- (e) when the Directors so resolve subject to maintenance of the principle of shareholder equality and in accordance with applicable laws and regulations, (i) as soon as a meeting of shareholders is called during which the liquidation / dissolution of the Fund shall be considered; or, (ii) in the cases where the Directors have the power to resolve thereon, as soon as they decide the liquidation / dissolution of a Sub-Fund;
- (f) any other exceptional circumstance or circumstances where a failure to do so might result in the Fund or its shareholders incurring any liability to taxation or suffering other pecuniary disadvantage or other detriment which the Fund or its shareholders might not otherwise have suffered.

Under exceptional circumstances that may adversely affect the interests of shareholders, or in instances of massive repurchase applications

of one Sub-Fund, the Directors reserve the right only to determine the share price after having executed, as soon as possible, the necessary sales of transferable securities on behalf of the Sub-Fund.

In this case, subscriptions, repurchase and conversion applications in process shall be dealt with on the basis of the net asset value thus calculated.

Subscribers and shareholders tendering shares for subscription repurchase and conversion shall be advised of the suspension of the calculation of the net asset value at the time of the filing of their written request for such subscription, redemption or conversion.

Suspended subscription, repurchase and conversion applications may be withdrawn by means of a written notice, provided the Fund receives such notice before the suspension ends.

Suspended subscription and repurchase and conversions applications shall be taken into consideration on the first Valuation Date after the suspension ends.

## XIV. Fees and Expenses

### A. Investment Adviser's and Principal Distributor's Fees

The Investment Adviser and Principal Distributor will be paid by the Fund, for each Sub-Fund, a fee of maximum of 1.75% p.a. as detailed below calculated on the average net asset value of each Sub-Fund determined on each Valuation Date, in each quarter during the continuance of the Investment Advisory and Principal Distributor Agreement (in the case of the first quarter, in respect of the period commencing with the day on which the shares are first issued). This fee must be paid on a quarterly basis.

In addition, in relation to its function of Principal Distributor, TT PARTNERS LTD is entitled to receive the subscription fees of a maximum amount of 4 % of the Net Asset Value per share paid by the subscribers when subscribing in the Fund.

### B. Investment Adviser's Performance Fees

The Investment Adviser is also entitled to a performance fee (the "Performance Fee") payable annually and calculated on a "High Water Mark" basis (i.e. the High Water Mark being the highest NAV as at the end of a financial year for which a Performance Fee has been paid).

The Performance Fee payable is 10% of the outperformance of the Net Asset Value of the Fund over an annual benchmark of 6%.

Such Performance Fee is accrued on each valuation date and payable within ten days after the approval of the audited annual report by the General Meeting of Shareholders.

Performance fee on redeemed shares will be paid systematically.

At the end of the year, in the case of a negative provision, said provision will be reported on the following year.

### C. Advisory and performance fees applicable to each Sub-Fund

#### Name of the Sub-Fund

ART – ABSOLUTE RETURN TARGET Fund – CLASS A

Advisory Fee applicable: none

Performance fee applicable: none

#### Name of the Sub-Fund

ART – ABSOLUTE RETURN TARGET Fund – CLASS B

Advisory Fee applicable: 1.75 %

Performance Fee applicable: none

#### Name of the Sub-Fund

ART – ABSOLUTE RETURN TARGET Fund – CLASS C

Advisory Fee applicable: 1.75 %

Performance Fee applicable: Yes see text above

These fees have been determined by the Board of Directors taking into consideration that, for the clients under discretionary management by Trendtrust S.A. a separate agree-

ment already foresee fees to be paid by the investors in the Fund.

### D Custodian and Administrative Agent's Fees

The Fund pays fees, in accordance with normal practice in Luxembourg, to the Custodian. The fees are payable quarterly and are based on the average net asset value of the Fund. In addition to said custodian fees, the Fund also pays the correspondents fees (clearing or banking system) of the Custodian Bank to whom the safekeeping of the Fund's assets have been entrusted).

### E. Other Fees and Costs

Other fees and costs charged to the Fund include:

- (a) upfront costs (including the cost of drawing up and printing the Prospectus, notarial fees, fees for registration with administrative and stock exchange authorities, marketing expenses and any other costs relating to the incorporation and launch of the Fund and the Sub-Funds and to registration of the Fund and the Sub-Funds in other countries), and expenses related to subsequent amendments to the articles of incorporation;

(b) the fees and/or expenses of the domiciliary agents and all other agents of the Fund as well as the sales agent(s) under the terms of any agreements with the Fund;

(c) legal expenses and annual audit fees incurred by the Fund;

(d) advertising, distribution and translation costs;

(e) printing costs, translation (if necessary), publication and distribution of the half-yearly report and accounts, the certified annual accounts and report and all expenses incurred in respect of the Prospectus and publications in the financial press;

(f) costs incurred by meetings of shareholders and meetings of the Board of Directors;

(g) attendance fees (where applicable) for the Directors and reimbursement to the Directors of their reasonable travelling expenses, hotel and other disbursements inherent in attending meetings of Directors or general meetings of shareholders of the Fund; expenses (including insurance costs) incurred by the Directors in the performance of their duties.

(h) fees and expenses incurred in respect of registration (and maintenance of the registration) of the Fund (and/or each Sub-Fund) with the public authorities or stock exchanges in order to license product selling or trading irrespective of jurisdiction;

(i) all taxes and duties levied by public authorities and stock exchanges;

(j) all other operating expenses, including licensing fees due for utilisation of stock indices and financing, finder fees, banking and brokerage fees incurred owing to the purchase or sale of assets or by any other means;

(k) all other administrative expenses.

All recurring charges will be charged first against income, then against capital gains and then against assets.

#### **F. Upfront costs and amortization method**

The costs and expenses incurred by the Fund as a result of its setting up and the initial offer of its shares are estimated at USD 37,000 and will be amortised over a period not exceeding five years.

If a new Sub-Fund is created in the future, the upfront costs for the Sub-Fund will be borne by the Sub-Fund exclusively and will be amortized over a period of 5 years with effect from the launch date of the said Sub-Fund. The Prospectus will be amended accordingly.



## XV. Taxation

### A. The Fund

Under current law and practice the Fund is not liable to any Luxembourg income tax, nor are dividends paid by the Fund liable to any Luxembourg withholding tax. However, the Fund is liable in Luxembourg to a tax of 0.06 % per annum on its assets, such tax being payable quarterly and calculated on the Net Asset Value of the Fund at the end of the relevant quarter. For the portion of the assets of the Fund invested in other UCIs which are established in Luxembourg, no such tax is payable. For Class A, which is exclusively reserved to clients under discretionary management mandate by Trendtrust S.A. or to institutional investors, a tax of 0.01% per annum will be applicable. No stamp duty or other tax is payable in Luxembourg on the issue of shares in the Fund except a once and for all tax of Luxembourg francs 50,000 which was paid upon incorporation.

Under current law and practice, it is anticipated that no capital gains tax is payable on the realised or unrealised capital appreciation of the assets of the Fund.

Dividends and interest on securities issued in other countries may be subject to withholding taxes imposed by such countries.

### B. Shareholders

Under current legislation shareholders are not subject to any capital gains, income, withholding, estate, inheritance or other taxes in Luxembourg (except for (i) those domiciliated, resident or having a permanent establishment in Luxembourg or (ii) non-residents of Luxembourg who hold 25 % or more of the share capital of the Fund and who dispose of all or part of their holdings within 6 months from the date of acquisition or (iii) in some limited cases, some former residents of Luxembourg, who hold 25 % or more of the share capital of the Fund).

Investors should consult their professional advisers on the possible tax or other consequences of buying, holding, transferring or selling any of the Fund's shares under the laws of their countries of citizenship, residence or domicile.

## XVI. Liquidation of The Fund, Dissolution and Merger of Sub-Funds

### A. Dissolution of the Fund

The Fund may be dissolved by the general meeting of shareholders in the conditions that are required by law to amend the articles of incorporation.

Any decision to wind up the Fund will be published in the Mémorial.

As soon as the decision to wind up the Fund is taken, the issue, redemption or conversion of shares in all Sub-Funds is prohibited and shall be deemed void.

If the capital of the Fund falls below two thirds of the minimum level required by law, the Board of Directors must call a general meeting to be held within forty days from the date of ascertaining this fact and submit the question of the Fund's dissolution. No quorum shall be prescribed and decisions will be taken by simple majority of the shares represented at the meeting. If the capital of the Fund falls below one fourth of the legal minimum, the Directors must submit the question of the Fund's dissolution to the general meeting for which no quorum shall be prescribed. The dissolution may be resolved by the shareholders holding one fourth of the shares represented at the meeting.

In the case of dissolution of the Fund, the liquidation will be conducted by one or more liquidators, who may be individuals or legal entities and who

will be appointed by a meeting of shareholders. This meeting will determine their powers and compensation.

The liquidation will be carried out in accordance with the Luxembourg Law of March 30, 1988 on undertakings for collective investment specifying how the net proceeds of the liquidation, less related costs and expenses, are to be distributed; such net proceeds will be distributed to the shareholders in proportion to their entitlements.

The amounts not claimed by the shareholders at the time of closure of the liquidation will be deposited with the Caisse des Consignations in Luxembourg where they will be available to them for the period established by the law. At the end of such period unclaimed amounts will return to the Luxembourg State.

### B. Dissolution / merger of Sub-Funds

A general meeting of shareholders of a Sub-Fund, acting under the same majority and quorum requirements as are required to amend the articles of incorporation, may decide to cancel shares in the concerned Sub-Fund and refund shareholders for the value of their shares. As soon as the decision to wind up one of the Fund's Sub-Fund is taken, the issue, redemption or conversion of shares in this Sub-Fund is prohibited and shall be deemed void.

If the net assets of a Sub-Fund fall below the equivalent of five million US Dollars (USD 5,000,000), the Board of Directors may decide on a forced redemption of the remaining shares in the Sub-Fund concerned without approval of the shareholders being necessary. In this case, a notice relating to the closing of the Sub-Fund will be sent to all the shareholders of this Sub-Fund. This redemption will take place at the net asset value per share calculated after all assets attributable to this Sub-Fund have been sold less the applicable liquidation expenses.

The amounts not claimed by the shareholders at the Custodian Bank within six months after the closure of the liquidation will be deposited at the Caisse des Consignations in Luxembourg where they will be available to them for the period established by law. At the end of such period unclaimed amounts will reverse to the Luxembourg State.

In the case the net assets of a Sub-Fund fall below the equivalent of five million US Dollars, the Board of Directors may propose to the shareholders the merger of one Sub-Fund with another Sub-Fund by sending them, at least one month prior to the effective merger date, a letter containing all the pertinent details. During this month, the shareholders of the Sub-Fund concerned have the right, without any cost, to request that their shares be redee-

med or converted at the Net Asset Value into those of another Sub-Fund. After this period, shares held by those shareholders who have not requested the redemption or the conversion shall be automatically converted into shares of the absorbing Sub-Fund. Once the decision to merge a Sub-Fund with another is taken, the issue of shares of the said Sub-Fund is no longer authorised.

A meeting of Sub-Fund shareholders may decide to contribute the assets (and liabilities) of the Sub-Fund to another undertaking for collective investment in exchange for the distribution to shareholders of shares in this undertaking for collective investment. It is for the Fund to publish this decision. The publication shall contain information on the new Sub-Fund or undertaking for collective investment and shall be released one month before the merger so as to give shareholders the time to request redemption without charge, prior to the effective transaction date.

Decisions of a Sub-Fund shareholders' meeting regarding the contribution of assets and liabilities of a Sub-Fund to another undertaking for collective investment are subject to the same quorum and majority conditions as are required by law to amend the articles of incorporation. In the case of a merger with another open-ended mutual fund or a foreign undertaking for collective investment, the decisions of the shareholders' meeting only bind those shareholders who voted in favour of this merger.

Providing the Board of Directors respects the terms of Article 264 of the Luxembourg Law dated August 10, 1915 on Commercial Companies, it may decide to merge a Fund's Sub-Funds by absorption of another undertaking for collective investment or of a Sub-Fund of another undertaking for collective investment.

## XVII. Meetings and Reports

The annual general meeting of shareholders of the Fund will be held at the registered office of the Fund in Luxembourg on the 4th Friday of April in each year at 11 a.m. and for the first time in April 2002, or if any such day is not a bank business day in Luxembourg on the next following bank business day. Notices of all general meetings will be published in the Mémorial C to the extent required by Luxembourg law and in such other newspapers as the Board of Directors shall determine and will be sent to the shareholders by post at least eight days prior to the meeting at their addresses in the register of shareholders. Such notices will include the agenda and specify the time and place of the meeting, the conditions of admission and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities required for the meeting. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in Articles 67, 67-1 and 68 of the Law of 10th August 1915 (as amended) of the Grand-Duchy of Luxembourg and in the Articles.

Matters regarding the Sub-Funds, such as the vote on the payment of a dividend on a particular Sub-Fund, may be decided by a vote of the meeting of shareholders of the Sub-Fund concerned. Any change in the Articles of Incorporation affecting the rights of shareholders of a Sub-Fund must be approved by a resolution of both the general meeting of the Fund and the shareholders of the Sub-Fund concerned.

## XVIII. Shareholders' Information

### A. Publication of the net asset value

The net asset value of each Sub-Fund as well as the issue and redemption price are made public on each Valuation Date at the registered office of the Fund.

The net asset value will also be the subject of an announcement in one or more newspapers, if the Board of Directors so decides.

### B. Financial notices

Financial notices will be published, on resolution of the Board of Directors, in those countries where the Company is marketed.

### C. Financial year and reports for shareholders

The financial year begins on the first of January and ends the last day of December. The first financial year will start on the day of the incorporation and end on 31 December 2001.

Each year, the Company publishes a report detailing its activity and the management of its assets, including the consolidated balance sheet and profit and loss account.

Its first report will be an unaudited half-year report at 30 June 2001, which will contain the detailed composition of the assets of each Sub-Fund.

At the end of each half-year, the Company will publish a semi-annual report including, inter alia, the composition of the portfolio, the movements in the portfolio over the period, the number of shares in circulation and the number of shares issued and redeemed since the last publication.

The Company may also publish interim reports.

### D. Independent auditors

The auditing of the Company's accounts and annual reports is entrusted to Arthur Andersen.

### E. Documents available to the public

Copies of the material contracts referred below are available for inspection at the registered office of the Fund in Luxembourg. Copies of the Articles of Incorporation of the Fund, of the current Prospectus and of the latest financial reports may be obtained on request at the Fund's registered office.

- a) An Agreement between the Fund and the Investment Adviser and Principal Distributor.
- b) An Agreement between the Fund and the Custodian Bank, Registrar and Transfer Agent Domiciliary, Administrative, Paying and Listing Agent, .

## Appendix I: Financial Techniques & Instruments

### A. Techniques and Instruments relating to transferable securities

#### 1. Options on various securities

The Fund may buy and sell call and put options provided that these options are traded on a market which operates regularly and is recognised and open to the public ("Regulated Market"). It being understood, however, such contracts may also be concluded by private agreement (OTC transactions) on the condition that they are contracted with first class financial institutions with first class ratings and that specialise in these types of transactions. When entering into these transactions, the Fund must adhere to the following regulations:

##### 1.1. Regulations in respect of the acquisition of options

The total of premiums paid for the acquisition of call and put options which are considered here may not, together with the total of the premiums paid for the acquisition of call and put options described in section 2.3. below, exceed 15% of the net asset value of each Sub-Fund of the Fund.

##### 1.2. Regulations to ensure the coverage of commitments arising from options transactions

At the conclusion of contracts for the sale of call options, the concerned Sub-Fund must hold either the underlying securities, matching call options, or other

instruments which provide sufficient coverage of the commitments resulting from the contracts in question (such as warrants). The underlying securities of a call option sold may not be disposed of as long as these options exist, unless they are covered by matching options or by other instruments which can be used for the same purpose. The same regulations also apply to matching call options or other instruments that the concerned Sub-Fund must hold when it does not have the underlying securities at the time of the sale of the relevant options.

As an exception to this regulation, the concerned Sub-Fund may write call options on securities that it does not own at the conclusion of the option contract if the following conditions are met:

- the aggregate exercise price of the call options sold in this way does not exceed 25% of the net asset value of each Sub-Fund.
- the concerned Sub-Fund must at all times be able to cover the positions taken on these sales.

Where a put option is sold, the concerned Sub-Fund must be covered for the full duration of

the option contract by liquid resources sufficient to pay for the securities deliverable to it on the exercise of the option by the counterparty.

If the Fund sells call options that are not covered, it runs a risk of loss which is, in theory, unlimited.

In the case of selling put options, the Fund runs a risk of loss if the price of the underlying securities falls below the strike price as reduced by the collected premium.

##### 1.3. Conditions and limits for the sale of call and put options

The Fund may buy and sell options on transferable securities, for a purpose other than hedging, provided that the total commitment of all uncovered options, together with the total commitment of all futures and options on financial instruments undertaken for purposes other than hedging does not exceed the total net asset value of each Sub-Fund of the Fund. Sales of call options on transferable securities for which the Fund has sufficient coverage are not included in the calculation of the total commitment referred to above.

In this context, the commitment on call and put options sold is equal to the total of the exercise prices of those options.

## **2. Transactions relating to futures and options on financial instruments**

The transactions described here relate to contracts which are dealt in on a Regulated Market. It being understood however such contracts may also be concluded by private agreement (OTC transactions) on the condition that they are contracted with first class financial institutions with first class ratings and that specialise in these types of transactions.

Subject to the conditions defined below, such transactions may be undertaken for hedging or other purposes.

### *2.1. Hedging operations relating to the risks attached to the general movement of stock markets*

As a global hedge against the risk of unfavourable stock market movements, the concerned Sub-Fund may sell futures on stock market indices. For the same purpose, the concerned Sub-Fund may also sell call options or buy put options on stock market indices. The objective of these hedging operations assumes that a sufficient correlation exists between the composition of the index used and the concerned Sub-Fund's corresponding portfolio.

The total commitment relating to futures and option contracts on stock market indices may not exceed the global valuation of

securities held by the each Sub-Fund of the Fund in the market corresponding to each index.

### *2.2. Transactions relating to interest rate hedging*

As a global hedge against interest rate fluctuations the concerned Sub-Fund may sell interest rate futures contracts. For the same purpose, it can also sell call options or buy put options on interest rates or make interest rate swaps on a mutual agreement basis with first class financial institutions specialising in this type of transaction.

The total commitment in financial futures contracts, option contracts and interest rate swaps may not exceed the global valuation of the assets to be hedged held by each Sub-Fund of the Fund in the currency corresponding to these contracts.

### *2.3. Transactions which are undertaken for purposes other than hedging*

The markets of future contracts and options are extremely volatile and the risk of loss is very high.

Apart from option contracts on transferable securities and contracts relating to currencies, the concerned Sub-Fund may also for a purpose other than hedging, buy and sell futures contracts and option contracts

on any type of financial instrument, providing that the total commitment arising on these purchase and sale transactions together with the total commitment arising on the sale of call and put options on transferable securities at no time exceeds the net asset value of each Sub-Fund of the Fund.

Sales of call options on transferable securities for which the concerned Sub-Fund has sufficient coverage are not included in the calculation of the total commitment referred to above.

In this context, the commitment arising on transactions which do not relate to options on transferable securities is defined as follows:

- the commitment arising on futures contracts is equal to the liquidation value of the net position of contracts relating to similar financial instruments (after netting off purchase and sale positions), without taking into account the respective maturities and
- the commitment relating to options bought and sold is equal to the sum of the exercise prices of those options representing the net sold position in respect of the same underlying asset, without taking into

account the respective maturities.

It should be remembered that the total of the premiums paid to acquire call and put options as described here, together with the total of the premiums paid to acquire call and put options on transferable securities as described in section 1.1., may not exceed 15% of the net assets of each Sub-Fund of the Fund.

### 3. Securities Lending

The Fund may enter into securities lending transactions on condition that they comply with the following regulations:

#### 3.1. Regulations to ensure the proper completion of lending transactions

The concerned Sub-Fund may only lend securities through a standardised lending system organised by a recognised clearing institution or through a first class financial institution specialising in this type of transaction.

As part of lending transactions, the concerned Sub-Fund must in principle receive a guarantee, the value of which at the conclusion of the contract must be at least equal to the global valuation of the securities lent.

This guarantee must be given in the form of liquid assets and/or in

the form of securities issued and/or guaranteed by a Member State of the OECD or by their local authorities or by supranational organisations and be blocked in the name of the Fund until the expiry of the loan contract.

#### 3.2. Conditions and limits of securities lending

Securities lending transactions may not for each Sub-Fund exceed 50% of the global valuation of the securities portfolio. This limitation does not apply where the Fund is entitled at all times to the cancellation of the contract and the restitution of the securities lent.

Securities lending transactions may not extend beyond a period of 30 days.

### 4. Repurchase agreements and "réméré" transactions

The concerned Sub-Fund may occasionally enter into "réméré" transactions which consist of the purchase and sale of securities with a clause reserving the seller the right to repurchase from the acquirer the securities sold at a price and term specified by the two parties in a contractual agreement.

The concerned Sub-Fund can act as either purchaser or seller in "réméré" transactions.

The concerned Sub-Fund may also occasionally enter into repurchase agreements which consist of the purchase and sale of securities with an obligation for the seller to repurchase from the acquirer the securities sold at a price and term specified by the two parties in a contractual agreement.

The concerned Sub-Fund can act as either purchaser or seller in a repurchase agreement.

Their involvement in such transactions is however, subject to the following regulations:

#### 4.1. Regulations to ensure the proper completion of repurchase agreements or "réméré" transactions

The concerned Sub-Fund may not buy or sell securities using a repurchase agreement or "réméré" transaction unless the counterparties in such transactions are first class financial institutions specialising in this type of transaction.

#### 4.2. Conditions and limits of repurchase transactions or "réméré" transactions

During the life of repurchase agreements or "réméré" transactions, the Fund cannot sell the securities which are the object of the contract, either before the right/obligation to repurchase these securities has been exercised by the counterparty, or the



repurchase or "réméré" term has expired.

As the Fund is open-ended, it must ensure to maintain the importance of purchase securities subject to a repurchase obligation at a level such that it is able, at all times, to meet its obligations to redeem.

**B. Techniques and Instruments  
to hedge currency risks**

To protect assets against the fluctuation of currencies, the concerned Sub-Fund may enter into transactions the purpose of which is the sale of forward foreign exchange contracts, sale of call options or the purchase of put options in respect of currencies. The transactions referred to here may only be entered into via contracts which are dealt in on a Regulated Market.

Concerning the above transactions, the concerned Sub-Fund may also sell currencies forward or exchange currencies on a mutual agreement basis with first class financial institutions specialising in this type of transaction.

The hedging objective of the transactions referred to above presupposes the existence of a direct relationship between these transactions and the assets which are being hedged and implies that transactions in a given currency cannot exceed the total valuation of assets denominated in that currency nor may the duration of these transactions exceed the period for which the respective assets are held.

## Appendix II: Statutory Anti-Money Laundering Notice & Regulation and Ownership Limitations

The Registrar and Transfer Agent will apply national and international regulations for the prevention of money laundering which oblige subscribers to establish their identity with A.R.T.-ABSOLUTE RETURN TARGET Fund. That is why subscribers must attach the following identification documents to their subscription form, so that the subscription be considered valid and acceptable to the Company:

- for individuals, a copy of a document of identity (passport or identity card)
- or for legal entities, a copy of company documents (e.g. consolidated articles of incorporation, published balance sheets, extract of the Register of Commerce, etc.) and the identity documents of the beneficial owners (passport or identity card).

These documents must be duly certified by a local public authority (for example a notary, the police, an ambassador).

This obligation is absolute, except if:

(a) the subscription form is remitted to the Company by one of its distributors when these distributors are professional intermediaries with obligations relating to the identification of subscribers similar to those required by Luxembourg law (below is a list of countries where financial intermediaries are subject to similar identification obligations) or,

(b) the subscription form is sent directly to the Company and subscription is paid either by:

- (i) bank transfer from an account maintained by the subscriber with a bank established in a country in the list below, or,
- (ii) a cheque drawn on the personal account maintained by the subscriber with a bank established in a country in the list below \*.

\* Countries in which financial intermediaries are subject to identification obligations similar to those practised according to Luxembourg law.

Australia  
Austria  
Argentina  
Belgium  
Brazil  
Canada  
Denmark  
Finland  
France  
Germany  
Greece  
Gulf Cooperation Council  
Hong Kong  
Iceland  
Ireland  
Italy  
Japan  
Luxembourg  
Mexico  
New Zealand  
Norway  
Portugal  
Singapore  
Spain  
Sweden  
Switzerland  
The Netherlands  
Turkey  
United Kingdom  
United States of America



# Application Form

## A.R.T. – ABSOLUTE RETURN TARGET Fund

C/o Banque Privée Edmond de Rothschild Luxembourg as Registrar Agent

20 Boulevard Emmanuel Servais

L - 2535 Luxembourg

R.C.S. Luxembourg B-79444

Tel: 00 352 47 93 46 329

Fax: 00 352 47 93 46 617

### 1. APPLICANT(S) DETAILS

Full Company Name or Individual Name(s) \_\_\_\_\_

In the case of joint applicants the application form must be signed by all applicants. However, the Fund shall only recognise one person as having the right to exercise rights in relation to each of the Fund's Shares. Unless the Directors agree otherwise, the person entitled to exercise such rights will be the person whose name appears first above.

### 2. REGISTERED ADDRESS

Address: \_\_\_\_\_

City: \_\_\_\_\_ Province/Region/County/State: \_\_\_\_\_

Country: \_\_\_\_\_ Postal Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

### 3. MAILING ADDRESS (if different from the above Registered Address)

Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Province/Region/County/State: \_\_\_\_\_

Country: \_\_\_\_\_ Postal Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

Mailing to be made to Registered Address and to Mailing Address: ☐ Yes ☐ No

### 4. PRINCIPAL DISTRIBUTORS' RIGHT TO RECEIVE INFORMATION

I/we hereby expressly instruct the Fund or its agent to send a copy of the confirmation of subscription to the following authorised Intermediary Agent: ☐ Yes ☐ No

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Province/Region/County/State: \_\_\_\_\_

Country: \_\_\_\_\_ Postal Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

**5. SELECTION OF SUB-FUND(S), SUBSCRIPTION AMOUNT AND FORM OF SHARES**

I/We wish to apply for shares in the Fund, as specified below:

Name of Sub-Fund	Amount of application Moneys
CLASS A	_____
CLASS B	_____
CLASS C	_____

Notes: Confirmations of registration or share certificates will be sent to the mailing address mentioned above, unless specifically indicated otherwise by the applicant.

**6. METHOD OF PAYMENT FOR SUBSCRIPTIONS**

I/We have instructed:

Bank Name \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ Province/Region/County/State: \_\_\_\_\_  
Country: \_\_\_\_\_ Postal Code: \_\_\_\_\_

**To remit the total amount payable, in full, to First Union Bank International New York, Swift address: PNB PUS3N NYC, ABA No: 026005092, for credit in USD to BANQUE PRIVEE EDMOND DE ROTHSCHILD LUXEMBOURG (Swift address: PRIBLULL), account no 2000193571499, reference: "A.R.T. - ABSOLUTE RETURN TARGET Fund - (Sub-Fund Name)".**

Subscription payments shall be made within the deadlines mentioned in the Prospectus by wire transfer only (no cheque payment shall be accepted).

**7. HOLD MAIL**

I/We hereby expressly request that all mail should be held at the registered office of the Fund.

☐ Yes, hold mail

☐ No

**8. CONFIRMATIONS AND STATEMENTS**

The applicant having been accepted by the Fund, will receive a confirmation of shareholding at the moment of subscription only.

**9. TO BE COMPLETED BY AUTHORISED AGENTS (e.g. the Distributor) ONLY**

Agent's stamp and signatory:

Subscription fee payable on this subscription: \_\_\_\_\_

Address of the Agent:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

Province/Region/County/State: \_\_\_\_\_

Country: \_\_\_\_\_

Postal Code: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Bank references:

Bank Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

Province/Region/County/State: \_\_\_\_\_

Country: \_\_\_\_\_

Postal Code: \_\_\_\_\_

Account Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

Bank Code: \_\_\_\_\_

**10. DOCUMENTS REQUIRED IN ORDER TO COMPLY WITH MONEY LAUNDERING REGULATIONS**

Pursuant to the applicable laws and regulations relating to the prevention of money laundering the applicant(s) shall provide the following documents to the Fund:

Individual Applicant(s):

- Certified copy of the passport or identification card

Institutional Applicant(s):

- Certified copy of the articles of incorporation
- Certified Excerpt of the trade register
- Certified copy of the business authorisation

The above-mentioned documents must accompany the application form unless the conditions set out in the Money Laundering section in the Prospectus are met.

## 11. DECLARATIONS AND SIGNATURE

Any reference to the "Fund or its agent" hereinbelow means the Fund or its agent singularly and/or jointly.

I/we hereby expressly declare and agree to the following

### This Application

- 1) The information provided in this application form is correct. I/we shall inform the Fund of any change affecting any information contained herein.
- 2) I/we have read a copy of the latest Prospectus of the Fund and have received a copy of the latest available financial statements of the Fund. I/we understand the extent of the financial risks related to a subscription in the Fund.
- 3) This application is irrevocable. I/we undertake to transfer for good value the subscription monies for this application in the correct currency to the correct account as indicated herein. I/we understand that in the case of non-payment of the subscription monies with good value the subscription shall be cancelled the day following the value date for payment and the Fund shall bear the financial impact of such cancellation. The Fund or its agent may take any judicial or non-judicial action against me/us or any representative following such non-payment. In the case of payments by cheque I/we accept that the Fund or its agent may suspend applications until receipt of payment.
- 4) This application form may be sent by fax and applications may be made by Swift or by telephone. The Fund or its agent shall not be liable for having accepted a subscription made in such manner. I/we undertake, at my/our own expense, to forward the original application form immediately by priority express mail or express courier to the attention of the Fund or its agent.
- 5) The Fund or its agent may refuse any application received or cancel an application accepted by fax, Swift or telephone, should the original application form not be received within the deadlines mentioned in the relevant appendix. I/we understand that the Fund shall bear the financial impact of such cancellation. The Fund or its agent may take any judicial or non-judicial action against me/us or any representative in the case of a cancellation following such non-receipt.
- 6) The subscription monies for this application do not derive from illegal activities as described in the applicable laws and regulations relating to the prevention of money laundering. I/we agree that in the case this application is not accompanied by the documents required under such laws and regulations the application may be suspended until the valuation date when all such documents have been received by the Fund or its agent in a form acceptable to the Fund or its agent.

### Communications

- 1) The Fund or its agent shall send documents to me/us by ordinary mail or, if required by Luxembourg laws and regulations, by registered mail to the address indicated in this application form (or any other address I/we may later notify the Fund or its agent of) at my/our own risk. I/we accept that communications by the Fund or its agent are deemed to have been validly made as soon as dispatched to said address, the presumed date of dispatch being the date appearing on the duplicate (or the dispatch list) kept by the Fund or its agent.
- 2) All requests from me/us, including conversions, redemptions and complaints relating to a subscription in the Fund shall be made to the Fund or its agent in writing.
- 3) The Fund or its agent shall not be liable for damages caused by the fact that signatures on instructions given to the Fund or its agent are not authentic. In the case of private investors the Fund or its agent may rely on the signature(s) hereinbelow without being bound to make a more thorough check. In the case of institutional investors the Fund or its agent shall compare the signatures on the instructions with the specimens provided in the list of authorised signatories provided by the investor.
- 4) The Fund or its agent are permitted to make recordings of telephone conversations to the Fund or its agent, the recordings will constitute evidence in case of disagreement. The absence of recordings or keeping the recordings may not be used against the Fund or its agent.

### Rights and Liabilities

- 1) The Fund or its agent shall not incur any liability except in the case of gross negligence or wilful misconduct on its part, in the event of an error in the identification of the authorised agent or authorised intermediary.
  - 2) I/we accept that the Fund or its agent may not be rendered liable for any acts or omissions of such authorised agent or intermediary.
  - 3) The Fund or its agent reserves the right to refuse to comply with a request presented by any person whose identity and powers do not appear to be sufficiently established to the Fund or its agent.
  - 4) The Fund may restrict or prevent the ownership of shares of the Fund by individuals, firms, corporations or other legal entities or if the Fund deems such ownership entails an infringement of the law of the Grand Duchy of Luxembourg or foreign country, may imply that the Fund may be subject to taxation in a country other than the Grand Duchy of Luxembourg or may prejudice the Fund in another manner. I/we understand that the Fund may repurchase, at any time, shares held by an investor not authorised to buy or own the Fund's shares.
  - 5) The Fund or its agent shall not be liable for damages caused by my/our legal incapacity, or that of my/our attorneys, successors, liquidators or other entitled parties for as long as the Fund or its agent have not received written notification.
  - 6) I/we indemnify the Fund or its agent and hold the Fund or its agent harmless against all demands, claims, actions, costs, expenses, damages, losses or other monies paid or liability incurred by the Fund or its agent as a result of or arising from the Fund or its agent executing an instruction notice or request concerning methods of payment or dispatching of information as indicated by me/us in this application form.
- The present application form and any subsequent subscriptions shall be exclusively governed by Luxembourg law and any litigation shall be submitted to the exclusive jurisdiction of the competent Luxembourg court. I/we however concede that the Fund or its agent may take action before any other court which would have been competent in the absence of the preceding election of law and in particular in the jurisdiction of my/our domicile or that of the authorised agent or intermediary.

Signed on:

Signature(s):

Full Name (in capital letters) and Position (if a company):

**DECLARATION:**

I / we expressly

authorize ☐

refuse ☐

THE REGISTRAR AGENT OF THE FUND TO MAKE THE CONTENT OF THE REGISTER OF SHAREHOLDERS ABOUT  
MYSELF / OURSELVES AVAILABLE TO COMPANIES / AGENTS RELATED TO THE FUND FOR PROVIDING  
SHAREHOLDER RELATED SERVICES, OR FOR COMPLIANCE WITH APPLICABLE LAWS.

Signed on:

Signature(s):

Full Name (in capital letters) and Position (if a company):





## Redemption Form

### A.R.T. – ABSOLUTE RETURN TARGET Fund

C/o Banque Privée Edmond de Rothschild Luxembourg as Registrar Agent

20 Boulevard Emmanuel Servais

L - 2535 Luxembourg

R.C.S. Luxembourg B-79444

Tel: 00 352 47 93 46 329

Fax: 00 352 47 93 46 617

1. Name of shareholder

domiciled

If a Company:

Contact person:

Tel:

Fax:

Swift/telex address:

wish(es) to redeem shares in the Fund as defined below:

Name of Sub-Fund

Number of shares to be redeemed

2. I/We request that the redemption monies be (please tick one box only):

☐ paid by cheque and sent to the above address

☐ wired to a bank account

If the redemption monies are to be wired to a bank account, please complete the following:

Name and address of bank:

For the account of:

Bank account number:

Bank code:

Signed on:

Signature(s):

Full Name (in capital letters) and Position (if a company):

The payment for redeemed shares shall be based on the applicable net asset value and will normally be remitted within ( x ) business days after the publication of the applicable net asset value.



# **Exhibit 11**



## **Q U A R T E R L Y   R E V I E W**

### **A.R.T. Absolute Return Target Fund – Class B**

#### **3<sup>rd</sup> Quarter 2003 Update**



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## **I. MARKET & STRATEGY REVIEW**

### **A. MARKET REVIEW**

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#### **Equity Markets**

Global equity markets extended their rally into the third quarter, driven by both fundamentals and liquidity. Low interest rates, fiscal stimulus, and to some extent beta chasing were the primary factor of good performance, followed by more rational factors such as positive earning surprises and indications that global economies are picking up.

Asia and Japan were by far the best performers, as a regain of interest for those markets, and their relative cheapness compared to western equities led to important foreign inflows. Economically, Japan came out with strong numbers, pushing some to argue that they might have entered into a structural economic rebound.

Quarterly performances of the major indices were as follows:

Topix	+12.76%
Nasdaq Composite	+10.12%
MSCI Pacific Ex-Japan	+10.03%
MSCI World	+4.43%
S&P 500	+2.21%
MSCI Europe	+1.99%

#### **Credit Markets**

During the third quarter market participants were still showing a high appetite for yield, which pushed credit market up for the 4<sup>th</sup> quarter in a row. Strong economic data, as well as continuing balance sheet repair kept the space attractive, even though spreads have now narrowed considerably. Over the quarter, the CSFB High Yield Index gained 3.04%.

#### **Interest Rates Markets**

Interest rate markets had a choppy time in Q3. Several comments by Fed chairman Alan Greenspan, and relatively strong economic data led to a weakening in bonds during July and the first part of August. The sell off was particularly violent during the last week of July, when hedge funds were stopped out of their positions and mortgage player aggressively re-hedged their books. The sell off was one of the most massive seen in the history of government bonds. From peak on July 2 to trough on September 2, the yield on the 10 year US Bill increased from 4.54 to 3.54, a 100 basis point increase, which translates into a 7.8% drop in price.

During the second part of the quarter, interest rate markets gently recovered, and built up momentum as economic data came out in line to weaker than expected. Most indices nevertheless lost ground over the period:

JPM Global Government Bond Index:	+1.84%
JPM European Bond Index:	+0.17%
US 7 to 10 Years Government Bond:	(1.29%)

#### **Currency Markets**

The main theme in Q3 continued to be a weakening US Dollar. Overall, the US Dollar lost ground against all major currencies, as follows:

EUR/USD	+1.26%
USD/JPY	(6.93%)
USD/CHF	(2.35%)



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Most of the sell off occurred during the last days of the quarter, as Mr. Snow made it clear that the USA were abandoning the strong dollar policy during the G8 summit, in order to recoup part of the trade deficit the United States are running without impacting the consumer too much.

### **Convertible Markets**

Traditionally, convertible markets tend to be very soft during the summer, as most market participants are on holidays. This year did not in firm this rule. Moreover, convertibles were further hit by three main factors:

1. The realization by market players that convertibles are insufficiently protected against dividend risk. This led to a repricing of the universe to factor in that risk.
2. A heavy new issuance calendar, which implied a general cheapening of the market as investor switch from the fairly priced secondary market to the cheap new issue market
3. A sharp drop in volatilities, which hurt the option component of convertibles.

In September, as market participants became more active again and found more value in the market, convertibles rebounded significantly.

## **B. STRATEGY REVIEW**

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### **Directional Trading**

Global Macro managers were hurt in July and August by trend reversals in major trades: sharp sell off of the short and long end of the USD and EUR yield curves, strengthening of the USD against the EUR and the JPY. The month of September came as a relief as the pre-summer trends resumed. CTA's were hurt by the same trend reversals in financial futures than macro managers but benefited from their diversification in other commodities. They finished the quarter slightly positive.

### **Relative Value**

#### Convertible Arbitrage

Convertible Arbitrage went through one of its most difficult period since the fall of 1998. A combination of factors (as outlined above) led the market to cheapen substantially, and implied negative performance for most manager for the quarter. Funds focusing on US convertibles suffered the most, since the dividend risk purely a US problem, and volatility drop less in Europe and Asia.

#### Equities Quantitative

Equity Quantitative funds experienced a hard time and most of the funds in the universe were down for July and August, rebounding sharply in September. Quantitative strategies usually assume that the markets behave in a rational fashion with predictable patterns. Most strategies do not take into account such factors as liquidity and flows. Since this those two factors were main drivers of stock performance over the quarter, funds in the strategy were hurt.

#### Fixed Income Arbitrage

Fixed Income Arbitrageurs had a weak summer as they were hit by the same trend reversals than our macro managers in July and August. It appears that they had many trades in common and exited them at the same time as stop losses were triggered. This was particularly true for their euribor and libor exposures.

#### Capital Structure Arbitrage

Capital structure arbitrage continued to do well over the quarter. The opportunity set for the strategy continued to be attractive and the mispricings which occurred during the large sell off in June/July 2002 have not disappeared yet, allowing funds to extract nice value out of the strategy.





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### ***Specialist Credit***

#### Long/Short High Yield

High Yield players had a good quarter, benefiting from continued credit spread tightening. Most of them have reduced the size of their books as they feel corporate securities have reached fair value.

#### Distressed Securities

Distressed Securities have had another strong quarter and are still the best performing hedge fund strategy in 2003. The wealth of distressed situations, overall credit spread tightening and a rebounding economy were the main drivers of positive performance over the quarter. As high yield funds, distressed securities managers lightened up their portfolio over the quarter and increased their short position to protect returns against a backdrop in credit markets.

### ***Security Selection***

#### Short Bias

Short sellers continued to suffer from the upward trending environment of the equity markets. They rebounded slightly toward September's month end as equity markets reversed. Although short sellers are directional in nature and are not part of Arbitrage Strategies per se, a small position is maintained in the portfolio as an insurance for the portfolio's long credit exposure.

#### No Bias

Equity market neutral manager posted mixed results over the quarter. Quantitative managers suffered from the liquidity driven markets but were rewarded during the last month of the quarter as investors finally favored stocks with good relative valuations and rejected high flying stocks with little to no earnings. Fundamental managers were helped by stronger macroeconomic and corporate news.

### ***Multi-Process***

#### Quantitative Strategies

Quantitative based multi-strategy managers experienced the same difficult environment for their strategy as Equity Quantitative managers. System based models tend to have difficulty performing when markets do not trade in line with fundamentals.

#### Relative Value

Relative Value multi-process funds, usually use a blend of relative value strategies as outlined above. As such, the performance of funds in this strategy varied in function of their asset allocation mix.

#### Event Driven

Overall, event driven strategies had a good quarter, thanks to two exogenous events, i.e. rising equity markets and tightening credit spreads. At the strategy level, a narrowing of discounts (for closed end fund arbitrage) and a handful of corporate events helped managers in this strategy extract alpha out of the market.

## **C. MACRO VIEW**

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### ***Last Quarter in Perspective***

Many economic indicators pointed toward a stronger economy for the balance of the year. Housing starts, Philly Fed survey, ISM non-manufacturing index, durable goods order, and consumer confidence printed better numbers.



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While most indicators pointed towards a strengthening of the US (and to a lesser extent European) economy, unemployment data refused to improve over the quarter. Accordingly this macro phenomena gave birth to the new expression of "jobless recovery".

#### ***What we expect in the next quarter***

Despite ambient optimism and prospects of strong Q3 & Q4 GDP growth, the fundamental imbalances of the US economy have not been resolved: growing and large budget deficit, sizable trade deficit, large leverage of consumer and corporate balance sheets, and overcapacity of industrial production.

In this context and with weak employment numbers in the US, we wonder how sustainable the positive effects of the strong mortgage refinancing and huge monetary and fiscal stimulus will be. If unemployment remains at this level or keeps rising, there is little chance of seeing the US consumer hold to its current consumption pace.

While we believe that the worst is over, we would be cautious about getting too bullish at this point, since equities and credit markets have rallied to price in the best of scenarios. Most market participants expect GDP growth rates of 4% to 6% annualized for the third quarter, which certainly implies more risk of a negative surprise rather than a good one.

As far as Europe is concerned, growth still looks subdued and there is no material reason for being as positive as for the US. However, markets will likely move in sympathy to the US whatever happens.

Asia looks the most interesting situation. Both economies and markets seem to be decoupling from the western countries. The heavy impact of China on trade and a cyclical recovery in Japan is allowing Asian countries to rely less on exports to the USA. We maintain a bullish stance on Asia and Japan for the months to come.

In summary, our projections for next quarter are as follows:

<b>Market</b>	<b>Expectations</b>
US Equity Markets	Flat to slightly negative
European Equity markets	Flat to slightly negative
Asia & Japan Equity markets	Positive
Credit Markets	Slightly positive
Sovereign bonds	Flat to slightly negative
USD	Weaker against JPY & EUR

#### ***Implication for hedge fund strategies***

If our expectations materialize, hedge funds in general should perform well during the 4<sup>th</sup> quarter. Indeed, volatility should come up, benefiting convertible and volatility arbitrageurs. Modestly tightening credit spread should provide a good environment for high yield and distressed managers, while fixed income and macro managers should benefit from a rise in bonds and in the Euro. Long/short managers would probably be the ones having the toughest times, with decline equity markets, while they are positioned for a continuing rally.

In summary, our expectation of hedge fund strategies performance is as follows:

<b>Strategy</b>	<b>Sub-strategy</b>	<b>Expectation</b>
Directional Trading	CTA	Neutral
Directional Trading	Global Macro	Positive
Relative Value	Convertible Arbitrage	Positive
Relative Value	Equities Quantitative	Positive
Relative Value	Fixed Income Arbitrage	Positive
Relative Value	Capital Structure Arbitrage	Positive
Relative Value	Volatility Arbitrage	Positive
Security Selection	Short Bias	Positive
Security Selection	No Bias	Slightly positive
Specialist Credit	L/S High Yield	Slightly positive
Specialist Credit	Distressed Securities	Positive
Multi-Process	Quantitative Strategies	Positive
Multi-Process	Event Driven	Positive
Multi-Process	Relative Value	Positive



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## II. PORTFOLIO PERFORMANCE REVIEW

### A. FUND PERFORMANCE VS. INDICES

	Third Quarter	Relative Perf.	Year to date	Relative Perf.
A.R.T. Class B	1.76%	-	7.80%	-
CSFB Tremont Hedge Fund Index*	1.94%	(0.18%)	9.20%	(1.40%)
MSCI Hedge Fund Index (equal weighted)*	2.44%	(0.68%)	9.68%	(1.88%)
HFRI Fund of Funds Index	2.08%	(0.32%)	7.45%	0.35%

\* Statistics include performance of the index, less a hypothetical 1.75% annualized management fee, as charged on A.R.T. Class B.

While performance comparison versus hedge fund indices provides a useful measurement tool, results should be taken with care. Hedge Fund indices suffer three flaws, which, according to academic studies overstate performances by 1% to 3% per annum. The three main flaws are the following:

1. Survivorship bias: This is the fact that funds performing poorly stop reporting to the databases, and as such disappear from the indices.
2. Self Selection: only funds willing to provide performance data will be included in the indices. As such, funds with positive performance tend to report, while others are not.
3. Investability: hedge fund indices are not investable, and include a large number of closed funds. Closed funds are not available for general investments and indices returns can therefore not be replicated.

A.R.T. Class B ended the quarter up 1.76%, which is slightly below hedge fund indices. This was due to two factors:

1. Hedge fund indices include a heavy allocation to long/short equity funds, which are directional in nature. These funds had a strong quarter as a result of upward trending equity markets.
2. A conscious overweight by A.R.T. Class B of fixed income arbitrage strategies, which struggled to achieve nice returns in July and August.

On a year to date basis, A.R.T. Class B outperforms peers fund of funds as measured by the HFRI Index. The underperformance relative to the CSFB and the MSCI Indices again is mainly due to a lack of directional long/short equity funds, which are a large part of the hedge fund universe and achieved nice returns year to date, thanks to the rebound in equity markets.

### B. STRATEGIES PERFORMANCE VS. INDICES

The underlying strategy performances were as follows,

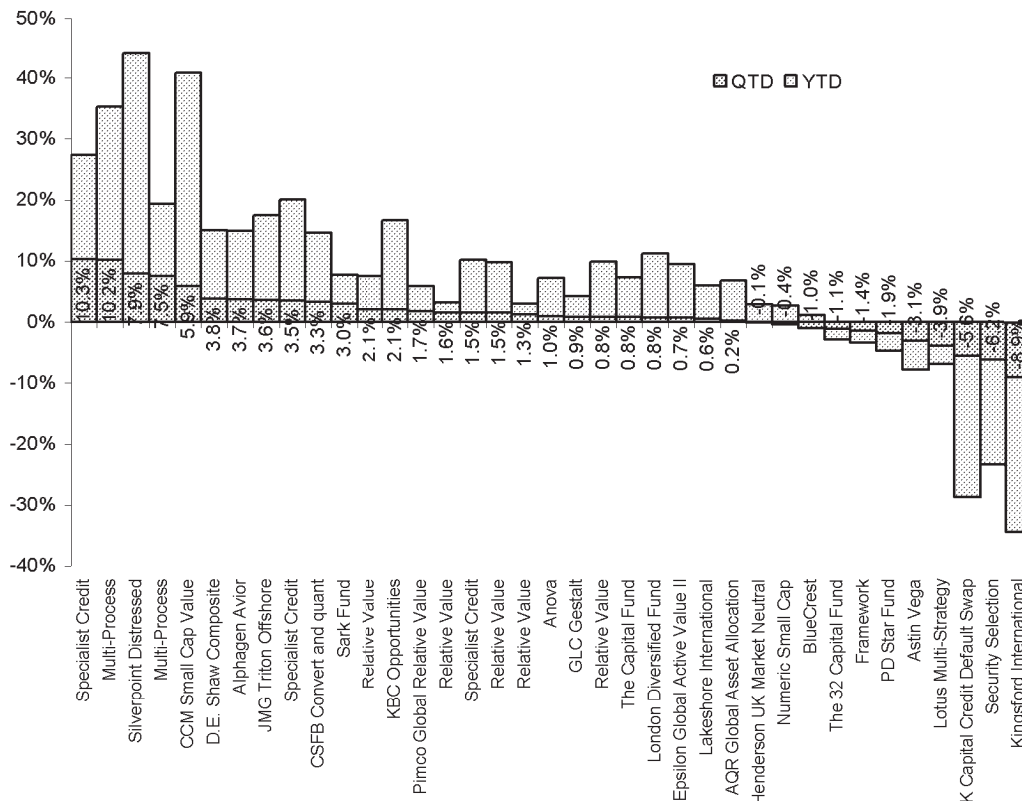
	Third Quarter	Relative Perf.	Year to date	Relative Perf.
A.R.T. Class B – Directional Trading	0.00%	-	4.60%	-
MSCI Index – Directional Trading	(0.46%)	+0.46%	8.21%	(3.61%)
A.R.T. Class B – Relative Value	0.06%	-	5.29%	-
MSCI Index – Relative Value	0.99%	(0.93%)	6.35%	(1.06%)
A.R.T. Class B – Security Selection	2.45%	-	11.11%	-
MSCI Index – Security Selection	5.14%	(2.69%)	13.96%	(2.85%)
A.R.T. Class B – Specialist Credit	4.64%	-	15.82%	-
MSCI Index – Specialist Credit	3.57%	+1.07%	16.51%	(0.69%)
A.R.T. Class B – Multi-Process	4.25%	-	11.68%	-
MSCI Index – Multi-Process	4.44%	(0.19%)	14.90%	(3.22%)



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Performance comparison at the strategy level outlines the point above, i.e. most of A.R.T. Class B's underperformance to the MSCI Hedge Fund Index during the third quarter came from Security Selection (i.e. Long/Short Equity). In line with its arbitrage mandate, A.R.T. Class B is invested in market neutral security selection managers only, while the MSCI Classification includes a vast majority of long biased managers.

## C. UNDERLYING FUND PERFORMANCES



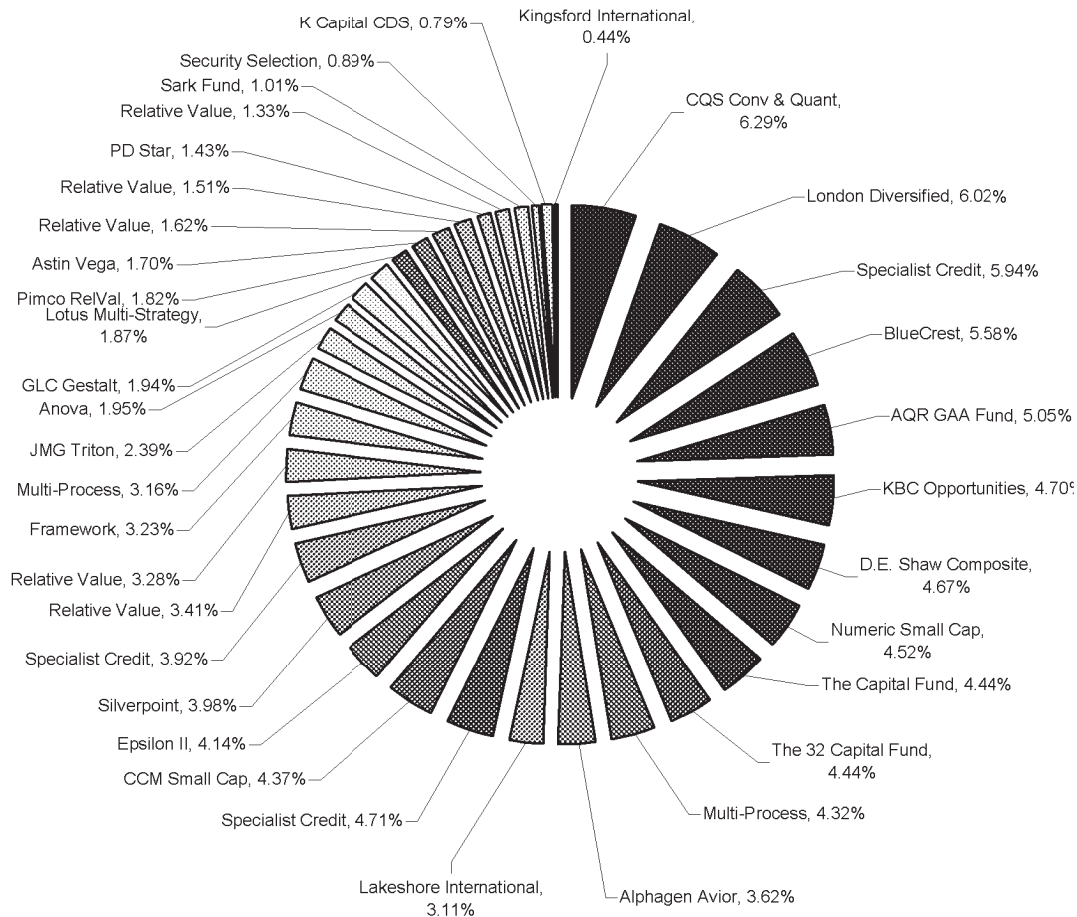
As could be expected during the third quarter, individual fund performance was negative for portfolio insurance funds (including two short equity funds and one short credit fund), which were the three worst performers over the quarter, but also year to date.

Credit and Event Driven managers had a very strong quarter and were responsible for most of the positive performance of A.R.T. Class B.

### III. PORTFOLIO STRUCTURE REVIEW

#### A. PORTFOLIO COMPOSITION

The portfolio pie chart was as follows as of September 31, 2003:



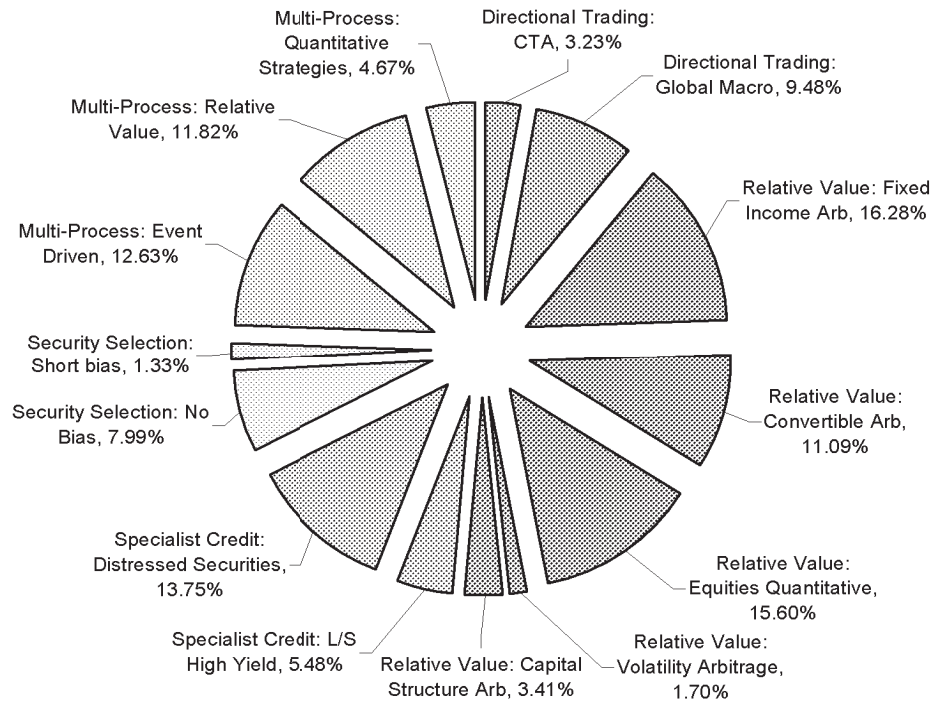
Core positions (Blue) represent 62% of the portfolio, while Intermediate positions (Red) represent 41%. The remaining 14% are farm team positions (Green). The portfolio was 115% invested as of the end of the third quarter.

No core position exceeded our 7% at cost (8% at market) internal limit, intermediate positions were all smaller than 5%, while farm team positions were all less than 2%. The portfolio held 37 positions, and the 10 largest positions represent 52% of NAV.

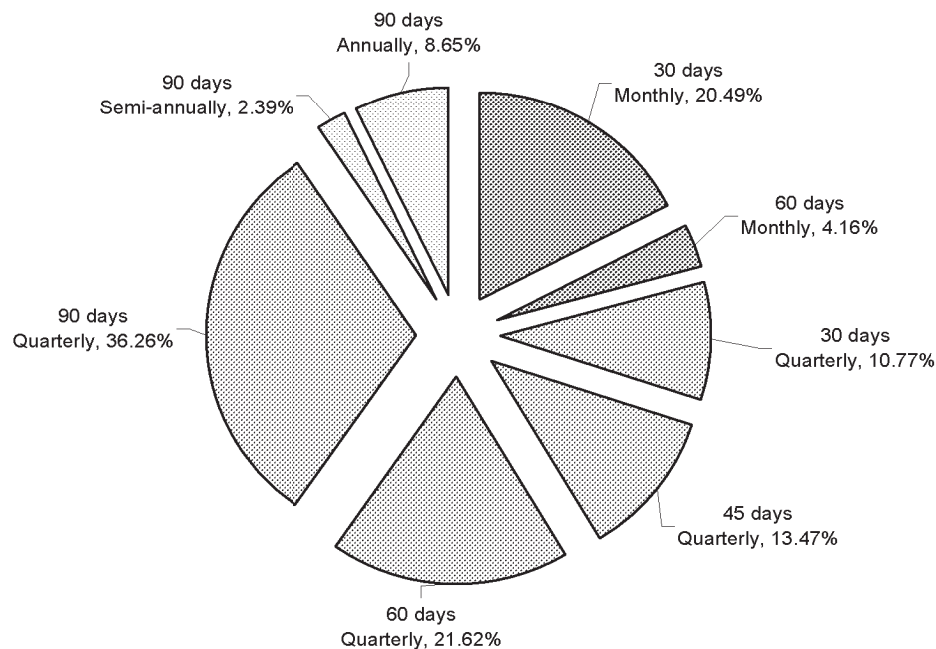


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## B. STRATEGY BREAKDOWN



## C. LIQUIDITY BREAKDOWN





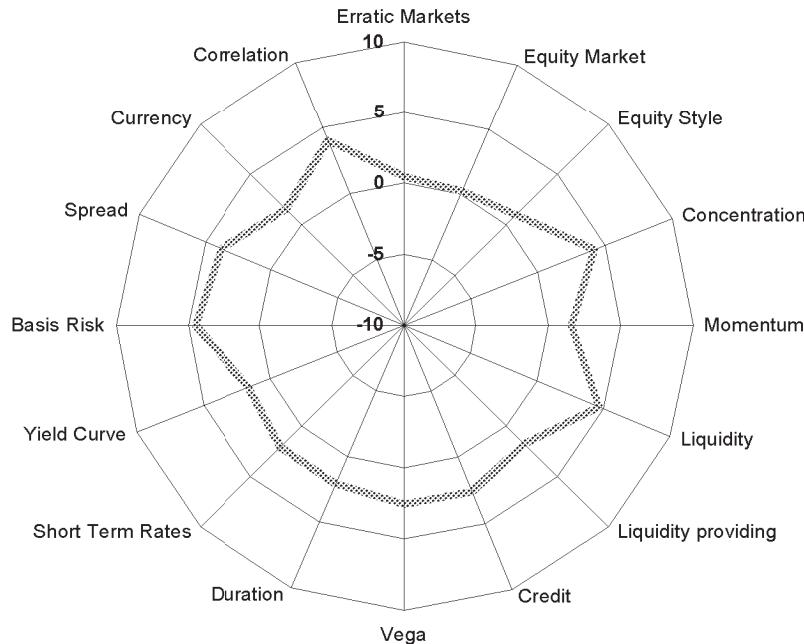


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70% of the portfolio can be liquidated at least quarterly with 60 days notice, which is the redemption frequency of A.R.T. Class B. 25% of the portfolio is redeemable monthly (Blue), 82% is redeemable quarterly (Red) and only 11% can be redeemed less than quarterly (Green).

## D. RISK ANALYSIS

The portfolio market risk matrix as of September 2003 was the following:



As expected, the main portfolio risks are basis risk, spread risk and correlation risks. These are typical risks for Arbitrage strategies:

- **Liquidity Risk:** This is the risk of holding illiquid positions. Distressed securities and exotic derivatives (including Credit Default Swaps) are considered very illiquid, while other OTC instruments, including corporate bonds, convertibles, small cap equities and plain vanilla derivatives are considered moderately illiquid. Sovereign fixed income, currencies, interest rate swaps and large cap equities are considered liquid. Arbitrage strategies tend to be very active in OTC instruments and other types of mispriced illiquid instruments. As such, Liquidity risk is and will always be a large risk in an Arbitrage portfolio.
- **Basis Risk:** this is the risk of a discrepancy between an instrument and its hedge. Since arbitrage strategies tend to be long and instrument and short a hedge, usually from another asset class, basis risk is one of the largest risk those strategies are facing.
- **Spread Risk:** Most arbitrage strategy play convergence, which means spread tightening in a variety of markets and instruments. Spread widening usually hurt performance for those funds. As a hedge, A.R.T. Class B holds several positions with funds which play "divergence" trades, i.e. spread widening in different instruments and markets.
- **Correlation:** this is the risk of different strategies correlating to each other in times of stress. There again, similar strategies in different markets or asset classes usually do not exhibit high correlations to each other, except in times of stress, mainly because of investors liquidating their portfolios indiscriminately, triggering falls in across the board. This is a typical risk for Arbitrage Strategies.

On a general note, it is reassuring that all those risks are well contained at the portfolio level, none of the risks being above 5, which is considered as "moderate risk".

## IV. PORTFOLIO CHANGES REVIEW

### A. PORTFOLIO ACTIVITY

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#### **Main themes**

The main theme throughout the quarter was insuring that the portfolio was well balanced on a strategy and individual fund side. No new positions were added, reflecting the fact that the portfolio already holds 37 positions.

A number of redemptions were made during the quarter (some of which will be effective during the fourth quarter), mainly to clean the portfolio from farm team positions that have not worked out well (PD Capital, Pimco, Astin, Henderson UK), to liquidate positions where we had lost our confidence level (Epsilon, Framework), and to create some space for subscriptions in funds we like, which will be invested with during the fourth Quarter.

#### **Subscriptions**

No subscription were made during the quarter.

#### **Redemptions**

The following funds were redeemed during the quarter:

- **Henderson UK Market Neutral Fund** (7/31/2003 for value date 8/31/2003): Security Selection – No bias. The fund had been a farm team position for 18 months. While performance was positive, it was subdued, and as comfort level wasn't high enough to increase the positions, it was decided to redeem.
- **Epsilon Global Active Value Fund II** (8/14/2003 for value date 9/30/2003): Multi-Process – Event Driven. After several discussions with the manager in order to get independent pricing of his portfolio and more transparency, he decided not to meet our requests. Consequently the position was redeemed.
- **PD Star Fund** (8/31/2003 for value date 9/30/2003): Relative Value – Equities Quantitative. The position was invested with 12 months ago as a farm team. Performance has been disappointing.
- **GLC Gestalt Europe Fund** (9/30/2003 for value date 10/31/2003): Relative Value – Equities Quantitative: this manager has struggled to achieve nice returns since invested with, partly because quantitative strategies tend to be cyclical and quickly arbitrated out.
- **Astin V Fund** (9/30/2003 for value date 10/31/2003): Relative Value: Volatility Arbitrage. Farm team position with disappointing returns.
- **Framework Asset Investors** (9/30/2003 for value date 11/30/2003): Directional Trading: CTA. Substantial turnover, poor performance and an uncomfortable meeting with them, pushed us to redeem the position.
- **Pimco Global Relative Value Fund II** (9/30/2003 for value date 12/31/2003): Relative Value: Fixed Income Arbitrage. Farm team position that did not work out as planned. The fund has been flat for the last 12 months, in an environment offering wealth of profit opportunities.
- **Anova Fund** (9/30/2003 for value date 12/31/2003): Relative Value: Equities Quantitative. A loss of confidence in the strategy pushed us to redeem.





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## **B. FUTURE CHANGES EXPECTATIONS**

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Futures changes will reflect the following main themes:

### **1. Increase in Credit Arbitrage Exposure**

It is a core belief that credit markets offer enormous arbitrage opportunities, which arise from three main factors:

- Fast and deep development of credit derivatives, which are often inefficiently priced
- Huge run up in credit, due to liquidity and search for yield, which did not differentiate between good and bad companies.

To reflect this core belief, two credit arbitrage funds will be added to the portfolio during the fourth quarter.

### **2. Farm team positions clean up**

Farm team positions usually have a 12 month lifetime after which they are moved to intermediate (if successful) or redeemed. Some farm team position initiated in Q4 2002 and Q1 2003 will be redeemed in the coming months.



*3rd Quarter 2003 Update*

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## ***APPENDIX***

## Summary Report

Fund: **ART Class B** Data Range: Jan-86 To Sep-03 Currency: Strategy: -  
 Index: **S&P 500 Index** Data Range: Feb-86 To Sep-03 Currency: Strategy: -  
 Report: **Selected Options** Data Range: Jan-01 To Sep-03 Total Mos: 33 RFR: 2.30% MAR: 5.00%

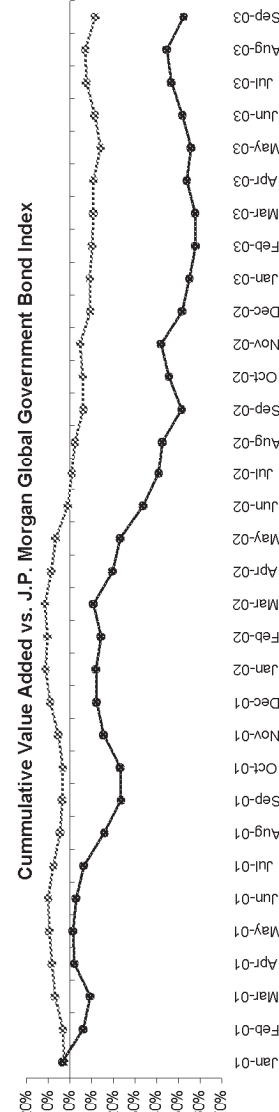
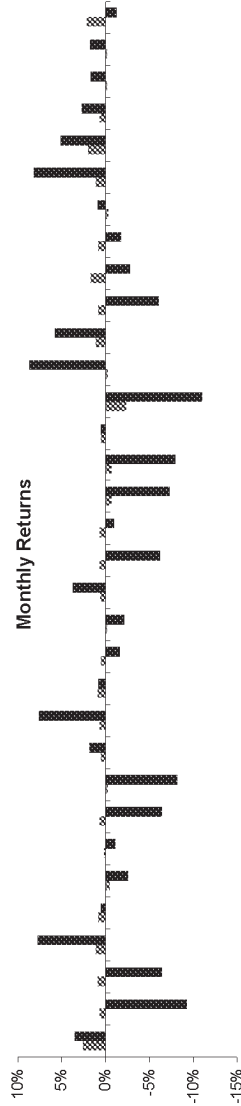
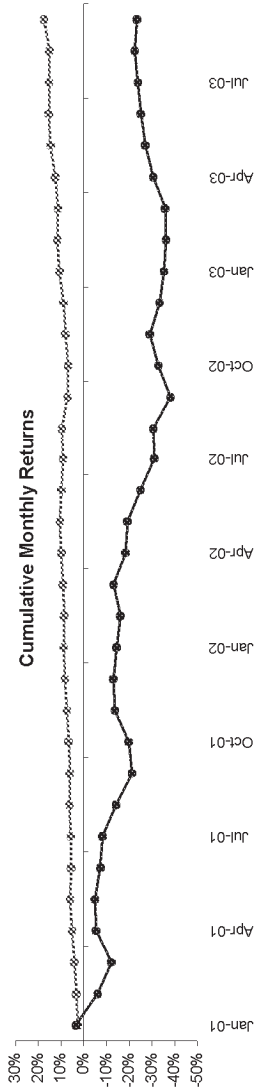
Return Analysis	Fund	Index
Year To Date Return	7.80%	14.92%
Total Period Return	17.42%	23.42%
Annualized Geometric Return	6.01%	8.26%
Monthly Geometric Return	0.49%	0.81%
Best 12 Month Rolling Return	9.60%	24.02%
Worst 12 Month Rolling Return	0.28%	-23.08%

Consistency Analysis	Fund	Index
% Up Months	70%	48%
% Up 12 Month Rolling Returns	100%	14%
Annualized Standard Deviation	3.12%	18.52%

Risk/Downside Analysis	Fund	Index
Annualized Downside Deviation (RFR)	1.81%	15.04%
Largest Drawdown	-3.27%	-40.32%
Avg of Largest 5 Drawdowns	-0.65%	-201.58%

Risk/Return Analysis	Fund	Index
Gain/Loss Ratio	1.81	0.78
Annualized Sharpe Ratio	1.19	-0.82
Annualized Sortino Ratio (RFR)	7.09	-2.55
Avg Growth / Max Drawdown Ratio	-0.15	0.02
Avg Growth / Avg Drawdown Ratio	-0.63	#DIV/0!

Correlation Analysis	Fund	Index
Correlation	0.43	
% A Up/B Down (% B Up/A Down)	65%	40%
Avg A Up/B Down (Avg B Up/A Down)	0.83%	3.22%



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## Comparative Analysis I

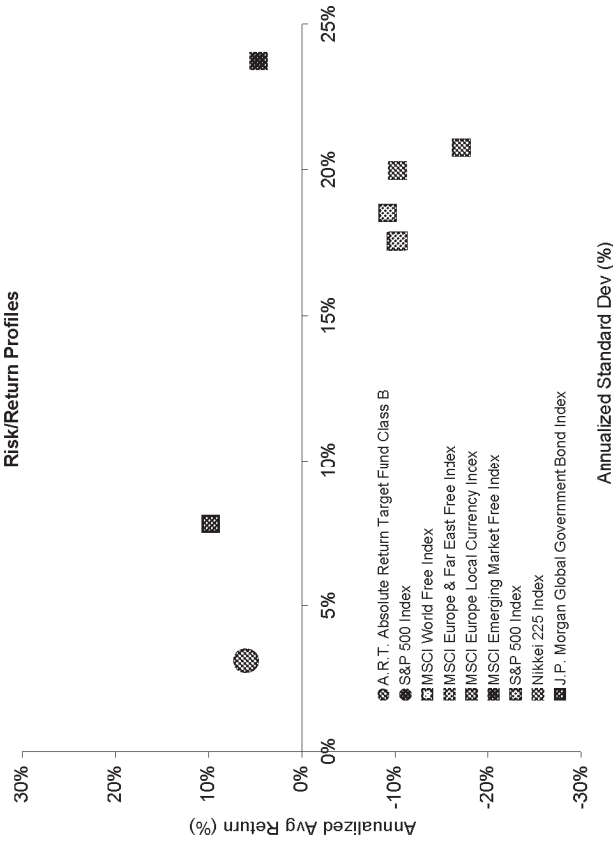
Fund: ARI Class B	Data Range:	Jan-86	To	Sep-03	Currency:	Strategy: -
Index: S&P 500 Index	Data Range:	Feb-86	To	Sep-03	Currency:	Strategy: -
Report: Selected Options	Data Range:	Jan-01	To	Sep-03	Total Mos: 33	RFR: 2.30% 5.00%

Risk/Return Statistics	Monthly		Annualized		12 Month Rolling	
	Fund	Index	Fund	Index	Fund	Index
Arithmetic Average Return	0.49%	-0.87%	5.90%	-7.93%	3.83%	-12.11%
Geometric Average Return	0.49%	-0.81%	6.01%	-9.25%	3.80%	-12.97%
Standard Deviation	0.90%	5.35%	3.12%	18.52%	2.38%	13.29%
Downside Deviation (0%)	0.45%	4.22%	1.56%	14.64%		
Downside Deviation (RFR)	0.52%	4.34%	1.81%	15.04%		
Downside Deviation (MAR)	0.62%	4.48%	2.16%	15.50%		

Risk/Return Analysis	Monthly		Annualized		12 Month Rolling	
	Fund	Index	Fund	Index	Fund	Index
Sharpe Ratio	0.34	-0.18	1.19	-0.62	0.63	-1.15
Sortino Ratio (0%)	3.86	-0.63	13.39	-2.19		
Sortino Ratio (RFR)	2.05	-0.77	7.09	-2.68		
Sortino Ratio (MAR)	0.47	-0.92	1.63	-3.18		
Gain/Loss Ratio	1.81	0.78			N/A	1.27
Hist Min Return 90% Conf	-0.38%	-7.77%	-1.31%	-26.91%	0.78%	-24.25%
Hist Min Return 95% Conf	-0.64%	-8.83%	-2.22%	-29.77%	0.64%	-24.71%

Calendar Ret	2003	2002	2001	2000	1999	1998	1997
Fund	0.63%	0.63%	8.24%	22.01%	19.71%	10.37%	17.06%
Index	-0.37%	-0.37%	-13.04%	-10.14%	19.52%	26.68%	31.01%

Risk/Return Profiles



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## Comparative Analysis II

Fund: ART Class B	Data Range:	Jan-86	To	Sep-03	Currency:	Strategy: -
Index: S&P 500 Index	Data Range:	Feb-86	To	Sep-03	Currency:	Strategy: -
Report: Selected Options	Data Range:	Jan-01	To	Sep-03	Total Mos: 33	RFR: 2.30% MAR: 5.00%

### Rolling Windows Analysis

	Max	Min	Avg	% Pos
1 Month:				
Fund	2.55%	-2.29%	0.49%	70%
Index	8.64%	-11.60%	-0.67%	48%
3 Month:				
Fund	4.07%	-2.43%	1.26%	84%
Index	16.63%	-17.83%	-2.04%	42%
6 Month:				
Fund	6.10%	-2.69%	2.32%	86%
Index	21.65%	-28.94%	-4.47%	32%
12 Month:				
Fund	9.60%	0.28%	3.83%	100%
Index	24.02%	-28.08%	-12.11%	14%
24 Month:				
Fund	10.70%	6.92%	8.44%	100%
Index	-2.87%	-37.36%	-22.65%	0%

### Drawdown Analysis: Fund

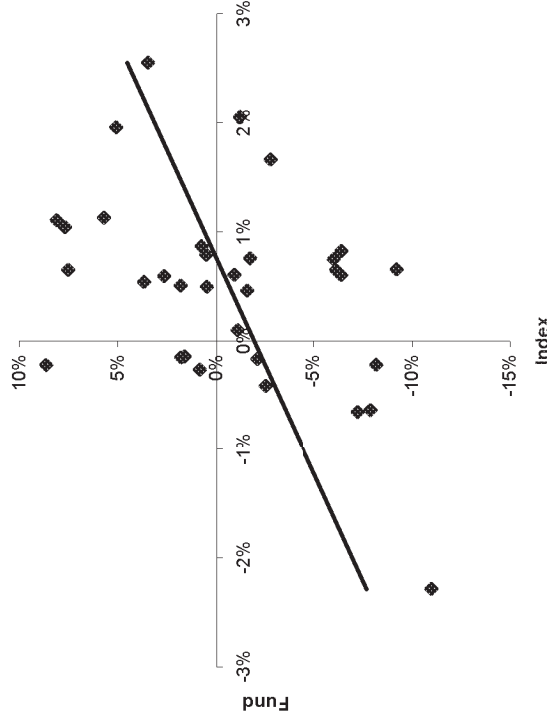
Rank	Peak	Valley	% Loss	Recovery
1	May-02	Oct-02	-3.27%	3
2	May-01	Jun-01	-0.41%	2
3	Jun-03	Aug-03	-0.29%	1
4	Feb-03	Mar-03	-0.26%	1
5	Aug-01	Sep-01	-0.22%	1

### Drawdown Analysis: Index

Rank	Peak	Valley	% Loss	Recovery
1	Jan-01	Sep-02	-40.32%	12
2	Jan-01	Sep-02	-40.32%	12
3	Jan-01	Sep-02	-40.32%	12
4	Jan-01	Sep-02	-40.32%	12
5	Jan-01	Sep-02	-40.32%	12

### Linear Correlation Analysis

Correlation	0.43
R-Squared	0.18
Alpha	0.01
Beta	0.07
% A Up (B Up)	75%
% A Up (B Dwn)	65%
Avg A Up (B Up)	1.02%
Avg A Up (B Dwn)	0.83%
Corr (B Up)	0.21
Corr (B Dwn)	0.53



### Annualized Returns Analysis

	Returns	Std Dev	Sharpe Ratio	Dwnsd Dev (RFR)	Sortino (RFR)
	Fund	Index	Fund	Index	Fund
3 Month	7.22%	9.14%			
6 Month	11.35%	42.10%			
12 Month	9.60%	24.02%	328	1.56	7.25%
24 Month	5.21%	-1.44%	163	-0.03	13.11%
36 Month	6.13%	-11.05%	201	-0.51	14.76%
48 Month	10.85%	-8.78%	304	-0.22	12.99%
60 Month	12.18%	-0.12%	357	-0.01	11.47%

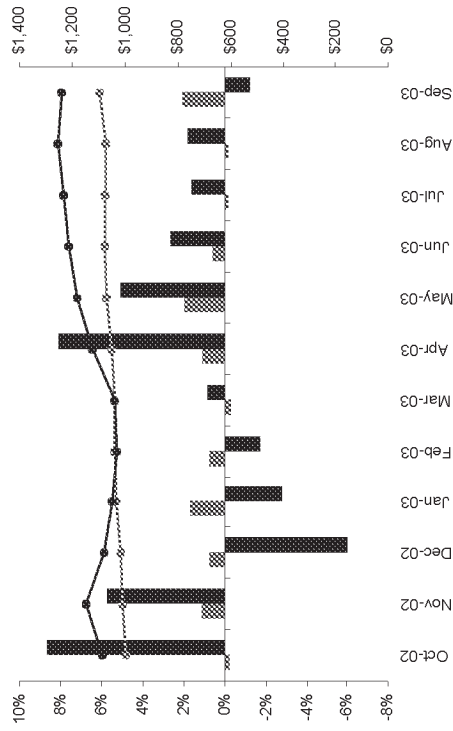
**PARTNERS  
ADVISERS**

## Returns Analysis

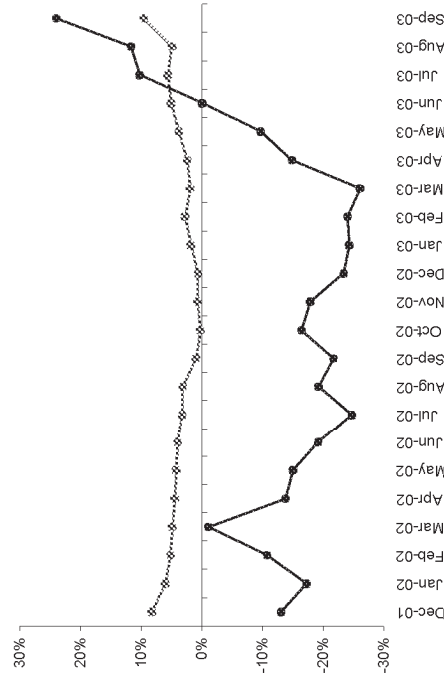
Fund: ART Class B  
Index: S&P 500 Index  
Report: Selected Options

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2001 Fund	2.55%	0.66%	0.82%	1.04%	0.79%	-0.41%	0.10%	0.61%	-0.22%	0.51%	0.65%	0.87%	8.24%
2001 Index	3.46%	-8.23%	-6.42%	7.68%	0.51%	-2.50%	-1.08%	-3.41%	-8.17%	1.81%	7.52%	0.76%	-13.04%
2002 Fund	0.47%	-1.17%	0.54%	0.65%	0.60%	-0.65%	-0.63%	0.50%	-0.29%	-0.22%	1.13%	0.75%	0.63%
2002 Index	-1.56%	-2.03%	3.67%	-3.14%	-0.91%	-7.25%	-7.86%	0.49%	-11.36%	8.64%	5.71%	-6.03%	-23.37%
2003 Fund	1.66%	0.76%	-0.25%	1.10%	1.96%	0.59%	-0.14%	-0.15%	2.05%				7.80%
2003 Index	-2.74%	-1.70%	0.84%	8.10%	5.09%	2.68%	1.62%	1.79%	-1.19%				14.92%

Last 12 Months Return/Growth of \$1,000



12 Month Rolling Returns

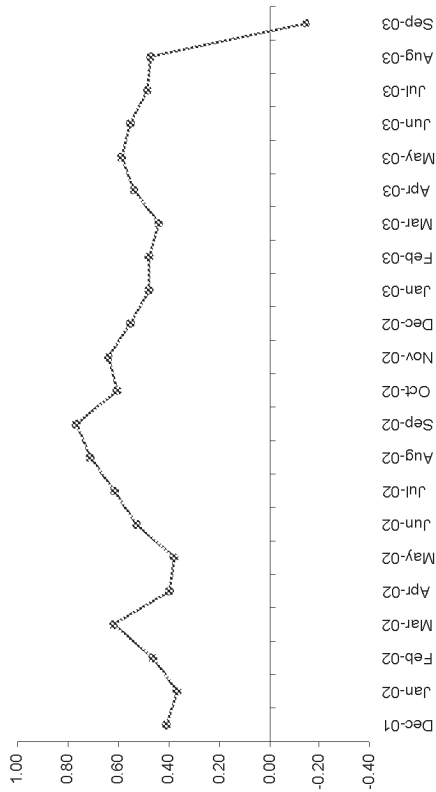


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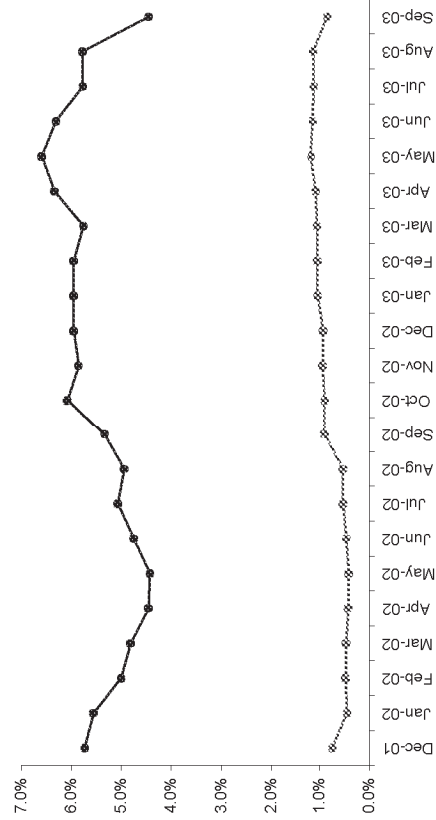
# Risk Analysis

Fund: ART Class B	Data Range	Jan-86	To	Sep-03	Currency:	Strategy: -
Index: S&P 500 Index	Data Range	Feb-86	To	Sep-03	Currency:	Strategy: -
Report: Selected Options	Data Range	Jan-01	To	Sep-03	Total Mos: 33	RFR: 2.30% MAR: 5.00%

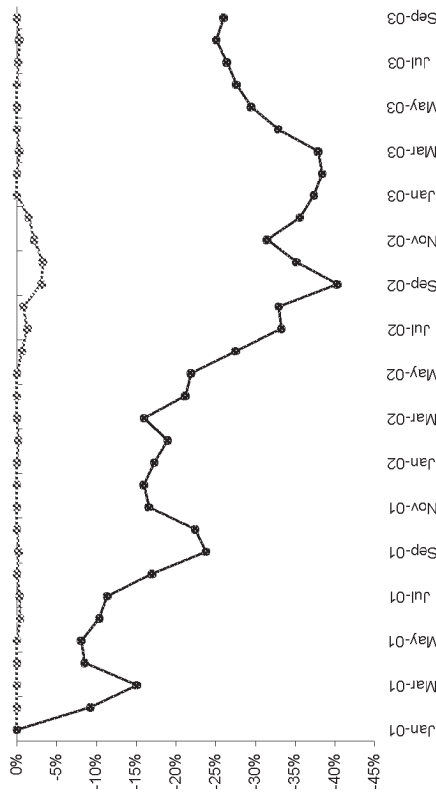
12 Month Rolling Correlation



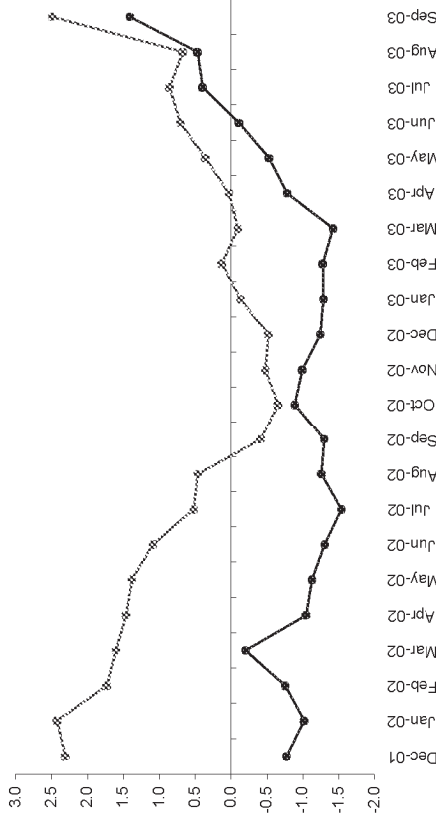
12 Month Rolling Standard Deviation



Drawdowns



12 Month Rolling Sharpe Ratios



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# **Exhibit 12**



**Borland, Peter**

**From:** estenne@advisers.CH  
**Sent:** Tuesday, December 19, 2000 10:26 AM  
**To:** borlanpe@bankofbermuda.com  
**Subject:** URGENT Switch in Square One Fund

**PARTNERS  
ADVISERS**

12 rue François Bonivard  
CH - 1201 Geneva / Switzerland  
Tel. +41-22-716 0060  
Fax +41-22-716 0061  
estenne@advisers.ch

Dear Peter,

Please note that Square One Fund will be subject to the following:

Redemption from Banque Bruxelles Lambert (Suisse) S.A. of 2,075,000  
Subscription from Banque Privée Edmond de Rothschild Luxembourg of 1,625,000  
Subscription from Fortis (I am not sure) of 450,000

Accordingly, no action should be taken vis-à-vis Madoff as these compensate each other.  
Please make sure that everything appends smoothly.  
Best Regards  
Luc

1/5/01

CONFIDENTIAL

4

SQO000031740

# **Exhibit 13**

Produced in Native Format

Pg 335 of 373

November 30, 2002

ART Class B

Class B	Previous NAV	Total Holding New NAV	Performance	New Holdings	Gross P&L	%	Net P&L
Diversified Arbitrage		7,062,647	2.05%	7,207,575	0.30%	14.73%	0.28%
Convertible Arbitrage		5,181,959	3.84%	5,380,735	0.41%	10.81%	0.40%
Distressed Securities & HY		6,717,876	2.48%	6,884,795	0.35%	14.01%	0.32%
Equity MN Fundamental		5,985,365	2.03%	6,106,865	0.25%	12.49%	0.23%
Equity MN Quantitative		6,925,753	-0.54%	6,888,522	-0.08%	14.45%	-0.10%
Event Driven		7,916,981	2.23%	8,093,322	0.37%	16.52%	0.34%
Short Term Trading		2,903,772	0.03%	2,904,575	0.00%	6.06%	-0.01%
Fixed Income Arbitrage		4,124,228	-2.38%	4,025,950	-0.21%	8.60%	-0.22%
Macro		6,864,591	-0.57%	6,825,488	-0.08%	14.32%	-0.11%
Equalization		121,761	0.00%	121,761	0.00%	0.25%	0.00%
Cash		(5,869,004)		(5,869,004)	0.00%	-12.24%	-0.02%
Gross Portfolio Total	-	47,935,929	1.32%	48,570,584	1.32%	100.00%	1.10%

Net perf.

1.12%

Tot. Gross P%L 1.32%

Tot. Alloc 112.24%

Calc. Basis -0.0017818414

Performance ART B Gross 1.29%

Net performance ART B 1.09%

## November 30, 2002

November 30, 2002

Pool Arbitrage	Nbr of shares	Previous NAV	Total Holding	New NAV	Perform.	New Holdings	Gross P&L	%
Carrousel Fund (S6)	13,318.0951	115.8848	1,543,365	120.1038	3.64%	1,599,554	0.12%	3.22%
<b>CQS Capital Structure Arb Cl. B</b>	1,000.0000	1,000.0000	1,000,000	1,001.4000	0.14%	1,001,400	0.00%	2.09%
Epsilon II	17,299.1300	120.6000	2,086,275	121.7800	0.98%	2,106,688	0.04%	4.35%
Gracie Capital	13,999.8830	161.5400	2,261,541	167.2000	3.50%	2,340,780	0.17%	4.72%
Metage Global Strategies	10,000.0000	102.5800	1,025,800	104.4900	1.86%	1,044,900	0.04%	2.14%
<b>Event Driven</b>			<b>7,916,981</b>		<b>2.23%</b>	<b>8,093,322</b>	<b>0.37%</b>	<b>16.52%</b>
Square One Fund Class B	94.0791	15,276.9100	1,437,238	15,282.3300	0.04%	1,437,748	0.00%	3.00%
PD Star Fund	14,614.1900	100.3500	1,466,534	100.3700	0.02%	1,466,826	0.00%	3.06%
<b>Short Term Trading</b>			<b>2,903,772</b>		<b>0.03%</b>	<b>2,904,575</b>	<b>0.00%</b>	<b>6.06%</b>
Arx Global High Yield Fund (A/6)	1,300.0000	1,090.0700	1,417,091	1,123.2000	3.04%	1,460,160	0.09%	2.96%
Silverpoint Distressed	125.0000	9,747.8600	1,218,483	10,179.5200	4.43%	1,272,440	0.11%	2.54%
Tamarak	36,045.8640	113.2530	4,082,302	115.1920	1.71%	4,152,195	0.15%	8.52%
<b>Distressed Securities &amp; HY</b>			<b>6,717,876</b>		<b>2.48%</b>	<b>6,884,795</b>	<b>0.35%</b>	<b>14.01%</b>
Artradis Barracuda (Non-US Feeder)	75,400.5660	10.4900	790,952	10.5200	0.29%	793,214	0.00%	1.65%
CSFB Convertible and quantitative Framework	2,323.1300	1,632.8790	3,793,390	1,685.0220	3.19%	3,914,525	0.25%	7.91%
JMG Triton Offshore Fd Class D S 1	1,500.0000	997.6890	1,496,534	996.5670	-0.11%	1,494,851	0.00%	3.12%
	309.2700	3,174.4800	981,771	3,249.5400	2.36%	1,004,985	0.05%	2.05%
<b>Diversified Arbitrage</b>			<b>7,062,647</b>		<b>2.05%</b>	<b>7,207,575</b>	<b>0.30%</b>	<b>14.73%</b>
KBC Opportunities	1,807.4683	1,209.8000	2,186,675	1,243.9600	2.82%	2,248,418	0.13%	4.56%
Lakeshore International	5,147.7210	285.8940	1,471,703	291.3510	1.91%	1,499,794	0.06%	3.07%
Lydian Ovs Partners Fd Class D S1	912.1900	1,389.8600	1,267,816	1,489.2400	7.15%	1,358,470	0.19%	2.64%
Lydian Ovs Partners Fd Class I S1	238.9100	1,070.5500	255,765	1,147.1000	7.15%	274,054	0.04%	0.53%
<b>Convertible Arbitrage</b>			<b>5,181,959</b>		<b>3.84%</b>	<b>5,380,735</b>	<b>0.41%</b>	<b>10.81%</b>
Bristol Fd	951.8410	877.4960	835,237	682.5393	-22.22%	649,669	-0.39%	1.74%
Moore Global Fixed Income Fd	350.3296	4,609.0900	1,614,701	4,657.0300	1.04%	1,631,495	0.04%	3.37%
Drake Absolute Return Cl. B S.1-B	198.8900	1,026.5626	204,173	1,052.7833	2.55%	209,388	0.01%	0.43%
Drake Absolute Return Cl. B S. 1-C	500.0000	1,030.4001	515,200	1,057.9637	2.68%	528,982	0.03%	1.07%
Pimco Global Relative Value Off. II	1,019.5680	936.5900	954,917	987.1000	5.39%	1,006,416	0.11%	1.99%
<b>Fixed Income Arbitrage</b>			<b>4,124,228</b>		<b>-2.38%</b>	<b>4,025,950</b>	<b>-0.21%</b>	<b>8.60%</b>
Alphagen Avior	12,000.2968	109.9170	1,319,037	112.1579	2.04%	1,345,928	0.06%	2.75%
Alphagen Cepheus	20,000.0000	111.8189	2,236,378	110.2273	-1.42%	2,204,546	-0.07%	4.67%
<b>Coghill Capital Cl. B Serie 5</b>	14,400.0000	100.0000	1,440,000	109.3602	9.36%	1,574,787	0.28%	3.00%
Henderson UK Market Neutral	9,378.0800	105.5600	989,950	104.6700	-0.84%	981,604	-0.02%	2.07%
<b>Equity MN Fundamental</b>			<b>5,985,365</b>		<b>2.03%</b>	<b>6,106,865</b>	<b>0.25%</b>	<b>12.49%</b>
Anova Serie A	6,106.8073	136.7545	835,133	145.0058	6.03%	885,522	0.11%	1.74%
Anova Serie B	10,276.0363	88.9363	913,913	94.3022	6.03%	969,053	0.12%	1.91%
Jemmco Intl Class A	8,585.0804	200.8657	1,724,448	198.4742	-1.19%	1,703,917	-0.04%	3.60%
Numeric European (#9)	690.5430	1,163.1153	803,181	1,131.3944	-2.73%	781,276	-0.05%	1.68%
Numeric Small Cap (#15)	2,500.0000		2,649,078	1,019.5014	-3.79%	2,548,753	-0.21%	5.53%
<b>Equity MN Quantitative</b>			<b>6,925,753</b>		<b>-0.54%</b>	<b>6,888,522</b>	<b>-0.08%</b>	<b>14.45%</b>
AQR Global Asset Alloc I Cl. B	12.7298	118,069.7042	1,503,000	117,521.8122	-0.46%	1,496,025	-0.01%	3.14%
The Capital Fund	1,597.5300	1,438.8940	2,298,676	1,424.1440	-1.03%	2,275,113	-0.05%	4.80%
Victory Overseas A2	1,200.0000	1,007.7100	1,209,252	1,004.8900	-0.28%	1,205,868	-0.01%	2.52%
Victory Overseas A	1,455.2340	1,273.7900	1,853,663	1,270.2300	-0.28%	1,848,482	-0.01%	3.87%
<b>Macro</b>			<b>6,864,591</b>		<b>-0.57%</b>	<b>6,825,488</b>	<b>-0.08%</b>	<b>14.32%</b>
Artradis Barracuda Equalization	9,237.1300	1.0000	9,237	1.0000	0.00%	9,237	0.00%	0.02%
Capital Fund Equalization	220.2030	1.0000	220	1.0000	0.00%	220	0.00%	0.00%
Epsilon II Equalization	26,530.6300	1.0000	26,531	1.0000	0.00%	26,531	0.00%	0.06%
Henderson UK MN Equalization	2,425.0000	1.0000	2,425	1.0000	0.00%	2,425	0.00%	0.01%
Jemmco Equalization	(8,807.96)	1.0000	(8,808)	1.0000	0.00%	(8,808)	0.00%	-0.02%
KBC Opportunities Equalization	73,925.4500	1.0000	73,925	1.0000	0.00%	73,925	0.00%	0.15%
Lakeshore International Equalization	1,883.0000	1.0000	1,883	1.0000	0.00%	1,883	0.00%	0.00%
PD Star Equalization	1,539.0000	1.0000	1,539	1.0000	0.00%	1,539	0.00%	0.00%
Tamarak Equalization	14,809.0000	1.0000	14,809	1.0000	0.00%	14,809	0.00%	0.03%
<b>Equalizations</b>			<b>121,761</b>		<b>0.00%</b>	<b>121,761</b>	<b>0.00%</b>	<b>0.25%</b>
Cash			(5,869,004)		0.25%	(5,883,677)	-0.03%	-12.24%
<b>Gross Portfolio Total</b>			<b>47,935,929</b>		<b>1.29%</b>	<b>48,555,911</b>	<b>1.29%</b>	<b>100.00%</b>

Subscriptions November 1

Redemptions value October 31:

Square One Fund Class B	650,000.00
-------------------------	------------

Investing	Nbr of shares	Previous NAV	Total Holding	New NAV	Perform.	New Holdings	Gross P&L	%
Metage Global Strategies	10,000.0000	102.5800	1,025,800	104.4900	1.86%	1,044,900	0.09%	4.88%
<b>Event Driven</b>			<b>1,025,800</b>		<b>1.86%</b>	<b>1,044,900</b>	<b>0.09%</b>	<b>4.88%</b>
GLC Gestalt A11	2,177.0000	163.4885	355,914	167.6760	2.56%	365,031	0.04%	1.69%
GLC Gestalt A12	627.0000	163.5165	102,525	167.7047	2.56%	105,151	0.01%	0.49%
GLC Gestalt A 14	930.0000	163.5481	152,100	167.7372	2.56%	155,996	0.02%	0.72%
GLC Gestalt A1	3,566.0000	163.5482	583,213	167.7372	2.56%	598,151	0.07%	2.78%
<b>Short Term Trading</b>			<b>1,193,752</b>		<b>2.56%</b>	<b>1,224,328</b>	<b>0.15%</b>	<b>5.68%</b>
Epic	1,500.0000	876.7840	1,315,176	933.0206	6.41%	1,399,531	0.40%	6.26%
Silverpoint	140.7300	9,747.8600	1,371,816	10,179.5200	4.43%	1,432,564	0.29%	6.53%
Stonehill	76.3500	22,446.8879	1,713,820	23,559.2300	4.96%	1,798,747	0.40%	8.16%
<b>Distressed Securities &amp; HY</b>			<b>4,400,812</b>		<b>5.23%</b>	<b>4,630,842</b>	<b>1.10%</b>	<b>20.95%</b>
SuNOVA B1 Serie 2	273.7541	1,164.8303	318,877	1,167.2271	0.21%	319,533	0.00%	1.52%
SuNOVA B1 Serie 5	1,000.0000	1,031.1915	1,031,192	1,033.3105	0.21%	1,033,311	0.01%	4.91%
Tiger Technology B1	13,000.0000	108.5800	1,411,540	106.0400	-2.34%	1,378,520	-0.16%	6.72%
Tremblant	7,867.8016	113.1596	890,317	113.7386	0.51%	894,873	0.02%	4.24%
Ursus B	1,501.7667	999.9568	1,501,702	1,077.0874	7.71%	1,617,534	0.55%	7.15%
<b>Equity L/S Sector specific</b>			<b>5,153,627</b>		<b>1.75%</b>	<b>5,243,770</b>	<b>0.43%</b>	<b>24.53%</b>
Atlas Offshore Fund D	110.0000	10,000.0000	1,100,000	10,004.4600	0.04%	1,100,491	0.00%	5.24%
Candlewood B	12,906.0836	130.2540	1,681,069	130.2343	-0.02%	1,680,815	0.00%	8.00%
Elkhorn Fund	1,100.0000	926.7240	1,019,396	984.6000	6.25%	1,083,060	0.30%	4.85%
Kingsford International Serie 13	750.0000	944.6200	708,465	884.9700	-6.31%	663,728	-0.21%	3.37%
Shaker Heights Cl. B13	50.0000	10,191.4900	509,575	10,167.0013	-0.24%	508,350	-0.01%	2.43%
<b>Equity L/S US</b>			<b>5,018,505</b>		<b>0.36%</b>	<b>5,036,443</b>	<b>0.09%</b>	<b>23.89%</b>
Henderson Japan	8,222.9900	126.1100	1,037,001	128.4400	1.85%	1,056,161	0.09%	4.94%
WF Asia Fund S1	8,161.6317	117.9128	962,361	121.3453	2.91%	990,376	0.13%	4.58%
Wharton Asian Renaissance	75,000.0000	7.2900	546,750	7.5100	3.02%	563,250	0.08%	2.60%
<b>Equity L/S Japan &amp; Asia</b>			<b>2,546,112</b>		<b>2.50%</b>	<b>2,609,786</b>	<b>0.30%</b>	<b>12.12%</b>
Coghill Capital	7,225.6836	148.7212	1,074,612	162.8956	9.53%	1,177,032	0.49%	5.12%
GRT Topaz B4	848.4571	978.8754	830,534	1,000.6538	2.22%	849,012	0.09%	3.95%
<b>Equity L/S Small Cap</b>			<b>1,905,146</b>		<b>6.35%</b>	<b>2,026,044</b>	<b>0.58%</b>	<b>9.07%</b>
Jupiter Hyde Park HF Ltd	247,933.8840	2.4200	600,000	2.4000	-0.83%	595,041	-0.02%	2.86%
Henderson European	3,267.5500	149.7500	489,316	156.2300	4.33%	510,489	0.10%	2.33%
<b>Equity L/S Europe</b>			<b>1,089,316</b>		<b>1.49%</b>	<b>1,105,531</b>	<b>0.08%</b>	<b>5.19%</b>
Razor Macro Fund A1	6,000.0000		600,000	99.0400	-0.96%	594,240	-0.03%	2.86%
GLG Global Macro Cl. Z	5,544.2620	108.2200	600,000	105.7400	-2.29%	586,250	-0.07%	2.86%
The Capital Fund	972.1170	1,438.8940	1,398,773	1,424.1440	-1.03%	1,384,435	-0.07%	6.66%
<b>Macro</b>			<b>2,598,773</b>		<b>-1.30%</b>	<b>2,564,925</b>	<b>-0.16%</b>	<b>12.37%</b>
Cash to be received from Lazard			16,217			16,217		0.08%
			<b>16,217</b>		<b>0.00%</b>	<b>16,217</b>		<b>0.08%</b>
Tremblant Equalization	3,284.6600	1.0000	3,285	1.0000	0.00%	3,285	0.00%	0.02%
Henderson Europe Equalization	9,410.5400	1.0000	9,411	1.0000	0.00%	9,411	0.00%	0.04%
The Capital Fund Equalization	35,194.5240	1.0000	35,194.5240	1.0000	0.00%	35,195	0.00%	0.17%
<b>Equalizations</b>			<b>47,890</b>		<b>0.00%</b>	<b>47,890</b>	<b>0.00%</b>	<b>0.23%</b>
Cash			(3,990,451)		0.25%	(4,000,427)	-0.05%	-19.00%
<b>Gross Portfolio Total</b>			<b>21,005,500</b>		<b>2.59%</b>	<b>21,550,249</b>	<b>2.59%</b>	<b>100.00%</b>

Subscriptions November 1

Redemptions value October 31:

WF Asia Fund Serie 2

330,639

D (-20pb)

46.10732

5500.55006



# **Exhibit 14**

Produced in Native Format

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Portfolio	Fund	Action	Amount	Trade date	Value date	Recommendation mean	Person in charge	Manager notified	Remarks
MPBGL Arbitrage	TQA Vantage Plus	Redemption	All shares	09/30/02	10/31/02	Fax	Meiland/Shortt	no	
MPBGL Arbitrage	Gracie	Redemption	All shares	09/30/02	12/31/02	Fax	Meiland/Shortt	yes	
MPBGL Arbitrage	Deephaven MN	Redemption	All shares	09/30/02	12/31/02	Fax	Meiland/Shortt	yes	
MPBGL Arbitrage	Framework Asset Investors	Subscription	1,300,000	09/30/02	10/01/02	Fax	Meiland/Shortt	yes	
MPBGL Arbitrage	AQR Global Asset Allocation	Subscription	1,300,000	09/30/02	10/01/02	Fax	Meiland/Shortt	yes	
MPBGL Arbitrage	PD Star Fund	Subscription	1,300,000	09/30/02	10/01/02	Fax	Meiland/Shortt	yes	
MPBGL Investing	Gracie	Redemption	All shares	09/30/02	12/31/02	Fax	Meiland/Shortt	yes	
MPBGL Investing	Kingsford International	Subscription	1,250,000	09/30/02	10/01/02	Fax	Meiland/Shortt	yes	
ART Arbitrage	Gracie	Redemption	All shares	09/30/02	12/31/02	email	Ruyer	yes	incl. shares from Axiom
ART Arbitrage	CSFB CQS	Redemption	700,000	09/30/02	12/31/02	email	Ruyer	yes	
ART Arbitrage	Lydian	Redemption	Class I	09/30/02	12/31/02	email	Ruyer	yes	
ART Arbitrage	Framework Asset Investors	Subscription	1,500,000	09/30/02	10/01/02	email	Ruyer	yes	
ART Arbitrage	AQR Global Asset Allocation	Subscription	1,500,000	09/30/02	10/01/02	email	Ruyer	yes	
ART Arbitrage	PD Star Fund	Subscription	1,500,000	09/30/02	10/01/02	email	Ruyer	yes	
ART Investing	WF Asia Fund	Redemption	Series 2	09/30/02	10/31/02	email	Ruyer	no	
ART Investing	Henderson European Abs. Ret.	Subscription	500,000	09/30/02	10/01/02	email	Ruyer	yes	
ART Investing	Kingsford International	Subscription	750,000	09/30/02	10/01/02	email	Ruyer	yes	
ABAS	Gracie	Redemption	All shares	09/30/02	12/31/02	email	Amr/Quigley	yes	
ABAS	Deephaven MN	Redemption	All shares	09/30/02	12/31/02	email	Amr/Quigley	yes	
ABAS	Framework Asset Investors	Subscription	800,000	09/30/02	10/01/02	email	Amr/Quigley	yes	
ABAS	AQR Global Asset Allocation	Subscription	800,000	09/30/02	10/01/02	email	Amr/Quigley	yes	
ABAS	PD Star Fund	Subscription	800,000	09/30/02	10/01/02	email	Amr/Quigley	yes	
Olympic	Gracie	Redemption	All shares	09/30/02	12/31/02	Fax	Pinero	yes	
Olympic	Deephaven MN	Redemption	All shares	09/30/02	12/31/02	Fax	Pinero	yes	
Olympic	CSFB CQS	Redemption	400,000	09/30/02	12/31/02	Fax	Pinero	yes	
Olympic	Framework Asset Investors	Subscription	600,000	09/30/02	10/01/02	Fax	Pinero	yes	
Olympic	AQR Global Asset Allocation	Subscription	600,000	09/30/02	10/01/02	Fax	Pinero	yes	
Olympic	PD Star Fund	Subscription	600,000	09/30/02	10/01/02	Fax	Pinero	yes	
MPBGL Arbitrage	Anova	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	yes	

MPBGL Arbitrage	Lydian	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	no	agreed with manager
MPBGL Arbitrage	Drake	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	no	
MPBGL Arbitrage	Claiborne	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	no	
MPBGL Arbitrage	GDO	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	no	
MPBGL Arbitrage	CSFB CQS	Redemption	850,000	10/31/02	12/31/02	Fax	Meiland/Shortt	yes	
MPBGL Arbitrage	CCM Small Cap Value Fund (Cl. B)	Subscription	1,250,000	10/31/02	11/01/02	Fax	Bernasconi/Cusack	yes	
MPBGL Investing	Claiborne	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	no	
MPBGL Investing	DMG Legacy	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	no	
MPBGL Investing	Ursus	Redemption	All shares	10/31/02	12/31/02	Fax	Meiland/Shortt	yes	
MPBGL Investing	GLG Global Macro, Class A	Subscription	1,200,000	10/31/02	11/01/02	Fax	Meiland/Shortt	yes	fund inception 11/15/02
MPBGL Investing	Razor Macro Fund, Class A1	Subscription	1,200,000	10/31/02	11/15/02	Fax	Meiland/Shortt	yes	
MPBGL Investing	Jupiter Hyde Park Hedge Fund Ltd.	Subscription	1,200,000	10/31/02	11/01/02	Fax	Meiland/Shortt	yes	
MPBGL Investing	Atlas Capital Offshore Fund (Cl. D)	Subscription	1,900,000	10/31/02	11/01/02	Fax	Bernasconi/Cusack	yes	
ART Arbitrage	Drake	Redemption	Class B Serie 1-C	10/31/02	12/31/02	email	Ruyer	no	
ART Arbitrage	Anova	Redemption	Class A	10/31/02	12/31/02	email	Ruyer	yes	
ART Arbitrage	Square One	Redemption	650,000	10/31/02	10/31/02	email	Ruyer	no	
ART Arbitrage	QCS CSA Feeder Fund Ltd Cl. B	Subscription	1,000,000	10/31/02	11/01/02	email	Ruyer	yes	
ART Arbitrage	CCM Small Cap Value Fund (Cl. B)	Subscription	1,440,000	10/31/02	11/01/02	email	Ruyer	yes	
ART Investing	Ursus	Redemption	All shares	10/31/02	12/31/02	email	Ruyer	yes	
ART Investing	Razor Macro Fund, Class A1	Subscription	600,000	10/31/02	11/15/02	email	Ruyer	yes	fund inception 11/15/02
ART Investing	GLG Global Macro, Class A	Subscription	600,000	10/31/02	11/01/02	email	Ruyer	yes	
ART Investing	Jupiter Hyde Park Hedge Fund Ltd.	Subscription	600,000	10/31/02	11/01/02	email	Ruyer	yes	
ART Investing	Atlas Capital Offshore Fund (Cl. D)	Subscription	1,100,000	10/31/02	11/01/02	email	Ruyer	yes	
ABAS	Anova	Redemption	All shares	10/31/02	12/31/02	email	Amr/Quigley	yes	agreed with manager
ABAS	CSFB CQS	Redemption	200,000	10/31/02	12/31/02	email	Amr/Quigley	yes	
ABAS	QCS CSA Feeder Fund Ltd Cl. B	Subscription	500,000	10/31/02	11/01/02	email	Amr/Quigley	yes	fund inception 11/15/02
ABAS	Razor Macro Fund, Class A1	Subscription	500,000	10/31/02	11/15/02	email	Amr/Quigley	yes	
ABAS	CCM Small Cap Value Fund (Cl. B)	Subscription	800,000	10/31/02	11/15/02	email	Amr/Quigley	yes	
Olympic	Lydian	Redemption	All shares	10/31/02	12/31/02	Fax	Pinero	no	
Olympic	Anova	Redemption	All shares	10/31/02	12/31/02	Fax	Pinero	yes	
Olympic	QCS CSA Feeder Fund Ltd Cl. B	Subscription	400,000	10/31/02	11/01/02	Fax	Pinero	yes	

Olympic AXIOM	CCM Small Cap Value Fund (Cl. B)	Subscription	580,000	10/31/02	11/01/02	Fax	Pinero	yes	
	ART Class B	Subscription	360,000	10/31/02	11/01/02	email	Quigley	yes	
ABAS	Numeric European	Redemption	All shares	11/19/02	11/30/02	email	Quigley	yes	
ART Arbitrage	Numeric European	Redemption	All shares	11/19/02	11/30/02	email	Ruyer	yes	
ART Investing	Shaker Heights	Redemption	All shares	11/19/02	11/30/02	email	Ruyer	yes	
MPBGL Investing	Shaker Heights	Redemption	All shares	11/19/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	GLC Gestalt	Redemption	200,000	11/26/02	11/30/02	fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	Longacre	Transfer out	1,320,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	JMG Triton	Redemption	900,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	Alphagen Cepheus	Redemption	200,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	Anova	Redemption	480,000	11/26/02	12/31/02	Fax	Meiland/Shortt	yes	cancel previous redemption
MPBGL Arbitrage	Arx Global High Yield	Subscription	200,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	CQS CSA Feeder Fund Ltd Cl. B	Subscription	400,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	position from Olympic
MPBGL Arbitrage	Lakeshore International	Transfer in	1,290,191	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	AQR Global Asset Allocation	Subscription	200,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	Alphagen Avior	Transfer in	1,619,522	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	PD Star Fund	Subscription	200,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	Eriswell Multi-Strategy Fund	Subscription	700,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
ART Arbitrage	Alphagen Cepheus	Redemption	650,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Anova	Redemption	820,000	11/26/02	12/31/02	email	Ruyer	yes	cancel previous redemption
ART Arbitrage	Square One	Redemption	All shares	11/26/02	11/30/02	email	Ruyer	yes	
ART Arbitrage	GLC Gestalt	Subscription	860,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	GLC Gestalt	Transfer in	200,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Arx Global High Yield	Subscription	300,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Longacre	Transfer in	1,320,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	JMG Triton	Subscription	200,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Lakeshore International	Transfer in	160,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	AQR Global Asset Allocation	Subscription	250,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Alphagen Avior	Subscription	500,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	PD Star Fund	Subscription	250,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Eriswell Multi-Strategy Fund	Subscription	900,000	11/26/02	11/30/02	email	Ruyer	yes	portfolio rebalancings

ABAS	Lakeshore International	Transfer out	160,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	Alphagen Avior	Redemption	500,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	Anova	Redemption	180,000	11/26/02	12/31/02	email	Quigley	yes	cancel previous redemption
ABAS	Arx Global High Yield	Subscription	150,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	Longacre	Transfer in	763,824	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	JMG Triton	Subscription	700,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	AQR Global Asset Allocation	Subscription	150,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	Alphagen Cepheus	Subscription	850,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	PD Star Fund	Subscription	150,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
ABAS	Eriswell Multi-Strategy Fund	Subscription	400,000	11/26/02	11/30/02	email	Quigley	yes	portfolio rebalancings
Olympic	Carrousel	Redemption	All shares	11/25/02	01/31/03	Fax	Pinero	yes	account liquidation
Olympic	Epsilon II	Redemption	All shares	11/25/02	03/31/03	Fax	Pinero	yes	account liquidation
Olympic	GLC Gestalt	Redemption	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
Olympic	Moore Global Fixed Income	Redemption	All shares	11/25/02	13/31/02	Fax	Pinero	yes	account liquidation
Olympic	Arx Global High Yield	Redemption	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
Olympic	Longacre	Transfer out	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
Olympic	Tamarack International	Redemption	All shares	11/25/02	12/31/02	Fax	Pinero	yes	account liquidation
Olympic	CSFB CQS	Redemption	All shares	11/25/02	12/31/02	Fax	Pinero	yes	account liquidation
Olympic	CQS CSA Feeder Fund Ltd Cl. B	Redemption	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
Olympic	Lakeshore International	Transfer out	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
Olympic	AQR Global Asset Allocation	Redemption	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
Olympic	Victory Overseas	Redemption	All shares	11/25/02	12/31/02	Fax	Pinero	yes	account liquidation
Olympic	Alphagen Capella	Redemption	All shares	11/25/02	12/31/02	Fax	Pinero	yes	account liquidation
Olympic	Numeric Small Cap	Redemption	All shares	11/25/02	12/31/02	Fax	Pinero	yes	account liquidation
Olympic	PD Star Fund	Redemption	All shares	11/25/02	11/30/02	Fax	Pinero	yes	account liquidation
MPBGL Investing	Alphagen Avior	Transfer out	All shares	11/26/02	11/30/02	Fax	Pinero	yes	account liquidation
ART Investing	GLC Gestalt	Transfer out	200,000	11/26/02	11/30/02	Fax	Meiland/Shortt	yes	portfolio rebalancings
ART Investing	SuNOVA	Redemption	500,000	11/26/02	12/31/02	email	Ruyer	yes	portfolio rebalancings
ART Investing	Candlewood	Redemption	880,000	11/26/02	12/31/02	email	Ruyer	yes	portfolio rebalancings
ART Investing	Henderson Japan	Redemption	215,000	11/26/02	01/31/03	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Asfin Vega Fund	Subscription	1,000,000	11/28/02	11/30/02	email	Ruyer	yes	portfolio rebalancings

ABAS	Astin Vega Fund	Subscription	600,000	11/28/02	11/30/02	email	Amr/Quigley	yes	
MPBGL Arbitrage	Astin Vega Fund	Subscription	900,000	11/28/02	11/30/02	Fax	Meiland/Shortt	yes	
ART Arbitrage	Silverback Offshore Class B	Subscription	970,000	12/23/02	01/01/03	email	Ruyer	yes	
ART Arbitrage	D.E. Shaw Composite International	Subscription	1,700,000	12/23/02	01/01/03	email	Ruyer	yes	
ART Arbitrage	Condor Partners Offshore	Subscription	600,000	12/23/02	01/01/03	email	Ruyer	yes	
ART Arbitrage	Kingsford International	Transfer in	340,000	12/23/02	01/01/03	email	Ruyer	no	transfer from ART Investing
ART Arbitrage	Framework Asset Investors	Transfer in	250,000	12/23/02	01/01/03	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	CCM Small Cap Value Fund (Cl. B)	Subscription	270,000	12/23/02	01/01/03	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Tamarack International	Redemption	1,070,000	12/23/02	01/01/03	email	Ruyer	yes	portfolio rebalancings
ART Arbitrage	Victory Overseas	Redemption	All shares	12/23/02	01/01/03	email	Ruyer	no	
MPBGL Arbitrage	Silverback Offshore Class B	Subscription	840,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	
MPBGL Arbitrage	D.E. Shaw Composite International	Subscription	1,500,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	
MPBGL Arbitrage	Condor Partners Offshore	Subscription	500,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	
MPBGL Arbitrage	Kingsford International	Transfer in	300,000	12/23/02	01/01/03	email	Meiland/Shortt	no	transfer from MPBGL Investing
MPBGL Arbitrage	Framework Asset Investors	Transfer in	200,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	CCM Small Cap Value Fund (Cl. B)	Subscription	220,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	Tamarack International	Subscription	670,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	portfolio rebalancings
MPBGL Arbitrage	CQS CSA Feeder Fund Ltd Cl. B	Subscription	450,000	12/23/02	01/01/03	email	Meiland/Shortt	yes	
MPBGL Arbitrage	Victory Overseas	Redemption	All shares	12/23/02	01/01/03	email	Meiland/Shortt	no	
MPBGL Arbitrage	Moore Global Fixed Income	Redemption	630,000	12/23/02	01/01/03	email	Meiland/Shortt	no	
ABAS	Silverback Offshore Class B	Subscription	250,000	12/23/02	01/01/03	email	Amr/Quigley	yes	
ABAS	D.E. Shaw Composite International	Subscription	1,000,000	12/23/02	01/01/03	email	Amr/Quigley	yes	
ABAS	Condor Partners Offshore	Subscription	350,000	12/23/02	01/01/03	email	Amr/Quigley	yes	
ABAS	Kingsford International	Transfer in	200,000	12/23/02	01/01/03	email	Amr/Quigley	no	transfer from MPBGL Investing
ABAS	Framework Asset Investors	Transfer in	150,000	12/23/02	01/01/03	email	Amr/Quigley	yes	portfolio rebalancings
ABAS	CCM Small Cap Value Fund (Cl. B)	Subscription	150,000	12/23/02	01/01/03	email	Amr/Quigley	yes	portfolio rebalancings
ABAS	Tamarack International	Subscription	400,000	12/23/02	01/01/03	email	Amr/Quigley	yes	portfolio rebalancings
ABAS	Victory Overseas	Redemption	All shares	12/23/02	01/01/03	email	Amr/Quigley	no	
ABAS	Moore Global Fixed Income	Redemption	270,000	12/23/02	01/01/03	email	Amr/Quigley	no	
Olympic	CCM Small Cap Value Fund (Cl. B)	Redemption	All shares	12/23/02	12/31/02	Fax	Pinero	yes	account liquidation
Olympic	Framework Asset Investors	Transfer out	All shares	12/23/02	12/31/02	Fax	Pinero	yes	account liquidation

Olympic	Jemmco International	Redemption	All shares	12/23/02	03/31/03	Fax	Pinero	no	account liquidation
MPBGL Investing	DMG Legacy	Cancel red	all shares	12/23/02	12/31/02	email	Meiland/Shortt	yes	cancel previous redemption
MPBGL Investing	D.E. Shaw Composite International	Subscription	1,400,000	12/23/02	12/31/02	email	Meiland/Shortt	yes	
MPBGL Investing	Condor Partners Offshore	Subscription	600,000	12/23/02	12/31/02	email	Meiland/Shortt	yes	
MPBGL Investing	Polar Capital Market Neutral	Subscription	1,200,000	12/23/02	12/31/02	email	Meiland/Shortt	yes	
MPBGL Investing	Kingsford International	Transfer out	200,000	12/23/02	12/31/02	email	Meiland/Shortt	yes	Transfer to ABAS
MPBGL Investing	Kingsford International	Transfer out	300,000	12/23/02	12/31/02	email	Meiland/Shortt	yes	Transfer to MPBGL Arbitrage
MPBGL Investing	Ursus	Redemption	400,000	12/23/02	12/31/02	email	Meiland/Shortt	yes	cancel previous redemption
MPBGL Investing	Moore Global Fixed Income	Redemption	All shares	12/23/02	12/31/02	email	Meiland/Shortt	yes	
ART Investing	D.E. Shaw Composite International	Subscription	800,000	12/23/02	12/31/02	email	Ruyer	yes	
ART Investing	Condor Partners Offshore	Subscription	350,000	12/23/02	12/31/02	email	Ruyer	yes	
ART Investing	Polar Capital Market Neutral	Subscription	650,000	12/23/02	12/31/02	email	Ruyer	yes	
ART Investing	Kingsford International	Transfer out	340,000	12/23/02	12/31/02	email	Ruyer	no	transfer to ART Arbitrage
ART Investing	Ursus	Redemption	800,000	12/23/02	12/31/02	email	Ruyer	yes	cancel previous redemption
ART Investing	Victory Overseas	Subscription	950,000	01/27/03	01/31/03	email	Ruyer	no	
ART Investing	Candlewood	Redemption	All shares	01/27/03	03/31/03	email	Ruyer	no	
MPBGL Investing	Victory Overseas	Subscription	1,350,000	01/27/03	01/31/03	email	Meiland/Rogers	no	
MPBGL Investing	Candlewood	Redemption	All shares	01/27/03	03/31/03	email	Meiland/Rogers	no	
ART Arbitrage	Longacre	Redemption	All shares	01/27/03	03/31/03	email	Ruyer	no	
ART Arbitrage	Drake	Redemption	All shares	01/27/03	03/31/03	email	Ruyer	yes	
ART Arbitrage	Lydian	Redemption	All shares	01/22/03	03/31/03	email	Ruyer	yes	
ART Arbitrage	Jemmco International	Redemption	All shares	01/27/03	03/31/03	email	Ruyer	yes	
ART Arbitrage	Bluecrest	Subscription	2,600,000	01/27/03	01/31/03	email	Ruyer	yes	
ART Arbitrage	Lotus Multi-Strategy	Subscription	1,050,000	01/27/03	01/31/03	email	Ruyer	yes	
ART Arbitrage	The 32 Capital Fund	Subscription	1,550,000	01/27/03	01/31/03	email	Ruyer	yes	
MPBGL Arbitrage	Longacre	Redemption	All shares	01/27/03	03/31/03	email	Meiland/Rogers	no	
MPBGL Arbitrage	Bluecrest	Subscription	2,050,000	01/27/03	01/31/03	email	Meiland/Rogers	yes	
MPBGL Arbitrage	Lotus Multi-Strategy	Subscription	800,000	01/27/03	01/31/03	email	Meiland/Rogers	yes	
MPBGL Arbitrage	The 32 Capital Fund	Subscription	1,200,000	01/27/03	01/31/03	email	Meiland/Rogers	yes	
ABAS	Longacre	Redemption	All shares	01/27/03	03/31/03	email	Quigley	no	
ABAS	Lydian	Redemption	All shares	01/27/03	03/31/03	email	Quigley	yes	



ABAS	Drake	Redemption	All shares	01/27/03	03/31/03	email	Quigley	yes
ABAS	Silverback Offshore Class B	Subscription	250,000	01/27/03	01/31/03	email	Quigley	yes
ABAS	Lotus Multi-Strategy	Subscription	525,000	01/27/03	01/31/03	email	Quigley	yes
ABAS	The 32 Capital Fund	Subscription	800,000	01/27/03	01/31/03	email	Quigley	yes

# **Exhibit 15**

1-MAY-2003

GLOBALSHARE (BERMUDA)  
TRANSACTION ACTIVITY LOG  
FROM 1-OCT-2002 TO 1-MAY-2003

PAGE: 1

FUND: 06902 SQUARE ONE FUND, LTD. - CLASS B SHARES

(USD)

VALM	DATE	DEALER	TRAN NO	SHLDR	NAV PRICE EST	COMMISSIONS	NAV AMOUNT	ROUNDING	TRADE SHARES	REFERENCE
TRADE DATE	TRL DLR	TYP-CDE	TRADE PRICE BOX			FEES	CLIENT TRAN AMNT	OVER PAYMENT	SHARE BALANCE	SETTLE DATE
SHS IN ISSUE AS AT 1-OCT-2002:										
31-OCT-2002	Rescdate 8962	00019	15276.91000000	N	0.00	0.00	649,998.91	0.00	42.5478-	BK PRIVEE
10-SEP-2002	Rescdate 0001	RED-210	15276.91000000	N	0.00	0.00	649,998.91	0.00	1,626.4037	4-DEC-2002
31-OCT-2002	Rescdate 9897	0001B	15276.91000000	N	0.00	0.00	549,999.31	0.00	36.0020+	BRUXELLES
30-OCT-2002	Rescdate 0001	SUB-110	15276.91000000	N	0.00	0.00	549,999.31	0.50	1,662.4057	1-NOV-2002
29-NOV-2002	Rescdate 7519	0001F	15282.33000000	N	0.00	0.00	399,999.71	0.00	26.1740+	CREDIT
1-NOV-2002	Rescdate 0001	SUB-110	15282.33000000	N	0.00	0.00	399,999.71	0.00	1,688.5797	6-DEC-2002
31-DEC-2002	Rescdate 8962	0001C	15285.05000000	N	0.00	0.00	1,438,005.28	0.00	94.0792-	BK PRIVEE
28-NOV-2002	Rescdate 0001	RED-210	15285.05000000	N	0.00	0.00	1,438,005.28	0.00	1,594.5005	22-JAN-2003
31-DEC-2002	Rescdate 3419	0001G	15285.05000000	N	0.00	0.00	1,999,999.88	0.00	130.8468+	MONTISOL
4-DEC-2002	Rescdate 0001	SUB-110	15285.05000000	N	0.00	0.00	1,999,999.88	0.00	1,725.3473	16-JAN-2003
28-FEB-2003	Rescdate 6795	0001H	15197.99000000	N	0.00	0.00	999,998.87	0.00	65.7981+	MADISON
13-FEB-2003	Rescdate 0001	SUB-110	15197.99000000	N	0.00	0.00	999,998.87	0.00	1,791.1454	26-FEB-2003
28-FEB-2003	Rescdate 3092	0001N	15197.99000000	N	0.00	0.00	949,999.00	0.00	62.5082-	CRED UNICO
20-JAN-2003	Rescdate 0001	RED-210	15197.99000000	N	0.00	0.00	949,999.00	0.00	1,728.6372	25-MAR-2003
31-MAR-2003	Rescdate 0024	0001J	15569.65000000	N	0.00	0.00	1,597,780.84	0.00	102.6215-	DEUT-SIGNE
13-FEB-2003	Rescdate 0001	RED-210	15569.65000000	N	0.00	0.00	1,597,780.84	0.00	1,626.0157	14-APR-2003
31-MAR-2003	Rescdate 3668	0001P	15569.65000000	N	0.00	0.00	2,423,444.05	0.00	155.6518-	FORTIS
27-FEB-2003	Rescdate 0001	RED-210	15569.65000000	N	0.00	0.00	2,423,444.05	0.00	1,470.3639	14-APR-2003
TOTAL COMMISSIONS:										
TOTAL FEES:										
OVERPAYMENTS:										
0.50										
SHS CALCULATED AS AT 1-MAY-2003:										
1,470.3639										

TRANSACTION SUMMARY										
TRADES	CLIENT TRAN AMNT	NAV AMOUNT	ROUNDING	TRADE SHARES						
REGULAR SUBSCRIPTIONS:	4	3,949,997.77	0.00	258.8209						
SWITCH SUBSCRIPTIONS:	0	0.00	0.00	0.0000						
SUBSCRIPTION BACKOUTS:	0	0.00	0.00	0.0000						
REDEMPTION REVERSALS:	0	0.00	0.00	0.0000						
REINVEST SUBSCRIPTIONS:	0	0.00	0.00	0.0000						
TRANSFER ISSUE:	0	0.00	0.00	0.0000						
REGULAR TRANSFER TO:	0	0.00	0.00	0.0000						
CONVERSION TO:	0	0.00	0.00	0.0000						
EXERCISE TO:	0	0.00	0.00	0.0000						
SHARE/SPINOFF DIVIDENDS	0	0.00	0.00	0.0000						

REPORT ID: PEND\_RPTD\_SBR\_R01

RUN DATE: 1-MAY-2003 11:53  
THE BANK OF BERMUDA LIMITED

PAGE: 1

(USD)

VALN	DATE	DEALER	TRAN NO	NAV PRICE	EST	COMMISSIONS	NAV AMOUNT	ROUNDING	TRADE SHARES	REFERENCE
TRADE DATE	TRL DLR	TYP-CDE	TRADE PRICE	BOX	FEES	CLIENT TRAN AMNT	OVER PAYMENT	SETTLE DATE	SHARE BALANCE	
TOTAL SUBSCRIBED/ISSUED:										
4					3,949,997.77		3,949,997.77	0.00	258.8209	
REGULAR REDEMPTIONS:										
5					7,059,228.08		7,059,228.08	0.00	457.4085	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
0					0.00		0.00	0.00	0.0000	
TOTAL REDEEMED/CANCELLED:										
5					7,059,228.08		7,059,228.08	0.00	457.4085	

RUN DATE: 1-MAY-2003 11:53  
 THE BANK OF BERMUDA LIMITED

PAGE: 2

PAGE: 3

FUND CODE	FUND NAME	SHARES IN ISSUE AS AT 1-OCT-2002	NUM	SHARES ISSUED THIS PERIOD	SHARES CANCELLED THIS PERIOD	SHARES CALCULATED AS AT 1-MAY-2003
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SELECTION CRITERIA:

INCLUDE FROZEN FUNDS: N

FROM VALUATION DATE: 1-OCT-2002 TO VALUATION DATE: 1-MAY-2003

ALL TRADES: Y CUSTOMER NO: SHAREHOLDER/DEALER:  
SORT BY: T (TRANS/SHLDR/DLR)

	ALL TRANS:	SUB TRANS:	RED TRANS:	RNV TRANS:	REG TSFR:	ISSU CANC:	CONV TRANS:
Y	N	Y	Y	Y	Y	Y	Y
Y	Y	Y	Y	N	Y	Y	

EXCLUDE UNPAID TRANSACTIONS: N

SUMMARY REPORT ONLY: N  
TRANSACTION SUMMARY REPORT ONLY: N  
REQUESTED BY: GSBBKL

RUN DATE: 1-MAY-2003 11:53  
 THE BANK OF BERMUDA LIMITED

END OF REPORT

PAGE: 3

PAGE: 1  
CURRENCY USD

(USD)

TOTAL SHAREHOLDING

RUN DATE: 1-MAY-2003 11:54  
THE BANK OF BERMUDA LIMITED

PAGE: 1

1-MAY-2003

SHARES:	SEQUENCE:	PRIMARY NAME
1	1	JOHN D. ROSS
2	2	JOHN D. ROSS
3	3	JOHN D. ROSS
4	4	JOHN D. ROSS
5	5	JOHN D. ROSS
6	6	JOHN D. ROSS
7	7	JOHN D. ROSS
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15	15	JOHN D. ROSS
16	16	JOHN D. ROSS
17	17	JOHN D. ROSS
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30	30	JOHN D. ROSS
31	31	JOHN D. ROSS
32	32	JOHN D. ROSS
33	33	JOHN D. ROSS
34	34	JOHN D. ROSS
35	35	JOHN D. ROSS
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96	96	JOHN D. ROSS
97	97	JOHN D. ROSS
98	98	JOHN D. ROSS
99	99	JOHN D. ROSS
100	100	JOHN D. ROSS

AS AT DATE: 1-MAY-2003

FUND: 06902 SQUARE ONE FUND, LTD. - CLASS B SHARES

\* NONE \*

	TOTAL SHARES	PERCENT TOTAL	TOTAL HOLDERS
LOCAL	0.0000	.00	0
FOREIGN	1,470.3639	100.00	10
****	S U M M A R Y	****	
	SHARES		
BOOKSTOCK	1,470.3639		
CERTIFICATED	0.0000		
BEARER	0.0000		
TOTAL SHARES	1,470.3639		
TOTAL HOLDERS	10		

RUN DATE: 1-MAY-2003 11:54  
THE BANK OF BERMUDA LIMITED

PAGE: 2

PAGE: 1  
CURRENCY USD

1-MAY-2003  
SHARES: 0.0000 - 99,999,999,999.9999 SHAREHOLDER REGISTER  
SEQUENCE: PRIMARY NAME AS AT DATE: 1-JAN-2003

FUND: 06902 SQUARE ONE FUND, LTD. - CLASS B SHARES (USD)

ACCOUNT/ CUST NO.	REGISTERED NAME	NAT RES	BOOKSTOCK	CERTIFICATED	TOTAL SHAREHOLDING
Redacts 0005 Redacts 2890	BANK MORGAN STANLEY AG	UNK SWI	46.3288	0.0000	46.3288
Redacts 0001 Redacts 9897 SA	BANQUE BRUXELLES LAMBERT (SUISSE)	UNK SWI	175.7249	0.0000	175.7249
Redacts 0012 Redacts 8962	BANQUE PRIVEE EDMOND DE ROTHSCHILD LUXEMBOURG	UNK LUX	94.0792	0.0000	94.0792
Redacts 0013 Redacts 9711	CITICO GLOBAL CUSTODY NV- CASH	RIR UNK	384.1180	0.0000	384.1180
Redacts 0002 Redacts 9920	CLARIDEN BANK	UNK SWI	0.0002	0.0000	0.0002
Redacts 0008 Redacts 3092	CREDIT AGRICOLE INDOSUEZ LUXEMBOURG C/O UNICORN INVESTMENT FUND	UNK LUX	103.3788	0.0000	103.3788
Redacts 0015 Redacts 6571 S/A UNICORN	CREDIT AGRICOLE INDOSUEZ LUXEMBOURG	LUX LUX	33.0231	0.0000	33.0231
Redacts 0016 Redacts 7519	CREDIT SUISSE LONDON NOMINEES LTD	SWI SWI	26.1740	0.0000	26.1740
Redacts 0014 Redacts 0024 LIMITED-SIGNET	DEUTSCHE BANK NOMINEES (JERSEY)	UNK JSY	102.6215	0.0000	102.6215
Redacts 0010 Redacts 3668 LIMITED RE: AURUM	FORTIS (ISLE OF MAN) NOMINEES	UNK IOM	155.6518	0.0000	155.6518
Redacts 0007 Redacts 1192 "SPECIAL OPPORTUNITY ACCOUNT"	KREDIETBANK S.A. LUXEMBOURGEOISE	UNK LUX	382.1642	0.0000	382.1642
Redacts 0004 Redacts 3419	MONTISOL INVESTMENTS INC.	PAN PAN	185.3152	0.0000	185.3152
					1,688.5797

PAGE: 1

REPORT ID: ACCT\_RPTB\_SBR\_R02  
RUN DATE: 1-MAY-2003 11:55  
THE BANK OF BERMUDA LIMITED



PAGE: 2

FUND: 06902 SQUARE ONE FUND, LTD. - CLASS B SHARES

TOTAL SHAREHOLDING

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PAGE: 1

RUN DATE: 1-MAY-2003 11:55  
 THE BANK OF BERMUDA LIMITED

REPORT ID: ACCT RPTB SBR R02

PAGE: 2

1-MAY-2003  
SHARES: 0.0000 - 99,999,999,999.9999  
SEQUENCE: PRIMARY NAME AS AT DATE: 1-NOV-2002

GLOBAL SHARE (BERMUDA)  
SHAREHOLDER REGISTER  
AS AT DATE: 1-NOV-2002

FUND: 06902 SQUARE ONE FUND, LTD. - CLASS B SHARES (USD)

ACCOUNT/ CUST NO.	REGISTERED NAME	NAT RES	BOOKSTOCK	CERTIFICATED	TOTAL SHAREHOLDING
Redeate 0005 Redeate 2890	BANK MORGAN STANLEY AG	UNK SWI	46.3288	0.0000	46.3288
Redeate 0001 Redeate 9897 SA	BANQUE BRUXELLES LAMBERT (SUISSE)	UNK SWI	139.7229	0.0000	139.7229
Redeate 0012 Redeate 8962	BANQUE PRIVEE EDMOND DE ROTHSCCHILD LUXEMBOURG	UNK LUX	136.6270	0.0000	136.6270
Redeate 0013 Redeate 9711	CITCO GLOBAL CUSTODY NV- CASH	RIR UNK	384.1180	0.0000	384.1180
Redeate 0002 Redeate 9920	CLARIDEN BANK	UNK SWI	0.0002	0.0000	0.0002
Redeate 0008 Redeate 3092	CREDIT AGRICOLE INDOSUEZ LUXEMBOURG C/O UNICORN INVESTMENT FUND	UNK LUX	103.3788	0.0000	103.3788
Redeate 0015 Redeate 6571 S/A UNICORN	CREDIT AGRICOLE INDOSUEZ LUXEMBOURG S/A UNICORN	LUX LUX	33.0231	0.0000	33.0231
Redeate 0014 Redeate 0024	DEUTSCHE BANK NOMINEES (JERSEY) LIMITED-SIGNET	UNK JSY	102.6215	0.0000	102.6215
Redeate 0010 Redeate 3668	FORTIS (ISLE OF MAN) NOMINEES LIMITED RE: AURUM	UNK IOM	155.6518	0.0000	155.6518
Redeate 0007 Redeate 1192	KREDIETANK S.A. LUXEMBOURGEOISE "SPECIAL OPPORTUNITY ACCOUNT"	UNK LUX	382.1642	0.0000	382.1642
Redeate 0004 Redeate 3419	MONTISOL INVESTMENTS INC.	PAN PAN	185.3152	0.0000	185.3152
					1,668.9515

PAGE: 2

1-MAY-2003  
SHARES: 0.0000 - 99,999,999,999.9999  
SEQUENCE: PRIMARY NAME AS AT DATE: 1-OCT-2002

GLOBALSHARE (BERMUDA)  
SHAREHOLDER REGISTER

(USD)

FUND: 06902 SQUARE ONE FUND, LTD. - CLASS B SHARES

ACCOUNT/ CUST NO.	REGISTERED NAME	NAT RES	BOOKSTOCK	CERTIFICATED	TOTAL SHAREHOLDING
Redelete 0005 Redelete 2890	BANK MORGAN STANLEY AG	UNK SWI	46.3288	0.0000	46.3288
Redelete 0001 Redelete 9897 SA	BANQUE BRUXELLES LAMBERT (SUISSE)	UNK SWI	139.7229	0.0000	139.7229
Redelete 0012 Redelete 8962	BANQUE PRIVEE EDMOND DE ROTHSCHILD LUXEMBOURG	UNK LUX	136.6270	0.0000	136.6270
Redelete 0013 Redelete 9711	CITICO GLOBAL CUSTODY NV- CASH	RIR UNK	384.1180	0.0000	384.1180
Redelete 0002 Redelete 9920	CLARIDEN BANK	UNK SWI	0.0002	0.0000	0.0002
Redelete 0008 Redelete 3092	CREDIT AGRICOLE INDOSUEZ LUXEMBOURG C/O UNICORN INVESTMENT FUND	UNK LUX	103.3788	0.0000	103.3788
Redelete 0014 Redelete 0024	DEUTSCHE BANK NOMINEES (JERSEY) LIMITED-SIGNET	UNK JSY	102.6215	0.0000	102.6215
Redelete 0010 Redelete 3668	FORTIS (ISLE OF MAN) NOMINEES LIMITED RE: AURUM	UNK IOM	155.6518	0.0000	155.6518
Redelete 0007 Redelete 1192	KREDIETRANK S.A. LUXEMBOURGEOISE "SPECIAL OPPORTUNITY ACCOUNT"	UNK LUX	382.1642	0.0000	382.1642
Redelete 0004 Redelete 3419	MONT SOL INVESTMENTS INC.	PAN PAN	185.3152	0.0000	185.3152
					1,635.9284

REPORT ID: ACCT\_RPTB\_SBR\_R02

RUN DATE: 1-MAY-2003 11:56  
THE BANK OF BERMUDA LIMITED

PAGE: 1

(USD)

\*\* HIGHLIGHTED \* NONE \*

	TOTAL SHARES	PERCENT TOTAL	TOTAL HOLDERS
LOCAL	0.0000	.00	0
FOREIGN	1,635.9284	100.00	10
****	S U M M A R Y	****	
	SHARES		
BOOKSTOCK	1,635.9284		
CERTIFICATED	0.0000		
BEARER	0.0000		
TOTAL SHARES	1,635.9284		
TOTAL HOLDERS	10		

RUN DATE: 1-MAY-2003 11:56  
THE BANK OF BERMUDA LIMITED

END OF REPORT

PAGE: 2

# **Exhibit 16**



MPBGL Investing	Warton Asian Renaissance	Redemption	All shares	07/27/04	09/30/04	email
MPBGL Investing	Brevar Howard Fund Limited	Subscription	550,000	07/27/04	07/30/04	email
MPBGL Investing	Greywolf High Yield Overseas Fund	Subscription	3,400,000	07/27/04	07/30/04	email
MPBGL Investing	Narragansett Overseas Ltd.	Subscription	750,000	07/27/04	07/30/04	email
MPBGL Investing	BR Opportunity Offshore Fund	Subscription	3,400,000	07/27/04	07/30/04	email
MPBGL Investing	Force Capital Ltd	Subscription	3,400,000	07/27/04	07/30/04	email
MPBGL Investing	Prospect Absolut Return (Japan)	Subscription	1,170,000	07/27/04	07/30/04	email
MPBGL Investing	Arx Global High Yield A	Subscription	1,080,000	07/27/04	07/30/04	email
MPBGL Investing	DE Shaw Oculus International	Subscription	1,000,000	07/27/04	07/30/04	email
MPBGL Arbitrage	The Capital Fund	Redemption	All shares	07/27/04	07/30/04	email
MPBGL Arbitrage	Tamarack International	Redemption	All shares	07/27/04	07/30/04	email
MPBGL Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	1,750,000	07/27/04	07/30/04	email
MPBGL Arbitrage	Brevar Howard Fund Limited	Subscription	7,560,000	07/27/04	07/30/04	email
MPBGL Arbitrage	Greywolf High Yield Overseas Fund	Subscription	3,250,000	07/27/04	07/30/04	email
MPBGL Arbitrage	Kamunting Street Offshore Fund Ltd	Subscription	1,100,000	07/27/04	07/30/04	email
MPBGL Arbitrage	Arx Global High Yield A	Transfer in	590,000	07/27/04	07/30/04	email
ART Investing	Warton Asian Renaissance	Redemption	All shares	07/27/04	09/30/04	email
ART Investing	Brevar Howard Fund Limited	Subscription	550,000	07/27/04	07/30/04	email
ART Investing	Greywolf High Yield Overseas Fund	Subscription	2,000,000	07/27/04	07/30/04	email
ART Investing	Narragansett Overseas Ltd.	Subscription	800,000	07/27/04	07/30/04	email
ART Investing	BR Opportunity Offshore Fund	Subscription	2,000,000	07/27/04	07/30/04	email
ART Investing	Force Capital Ltd	Subscription	2,000,000	07/27/04	07/30/04	email
ART Investing	Prospect Absolut Return (Japan)	Subscription	950,000	07/27/04	07/30/04	email
ART Investing	Arx Global High Yield A	Transfer in	650,000	07/27/04	07/30/04	email
ART Investing	Arx Global High Yield A	Subscription	1,320,000	07/27/04	07/30/04	email
ART Investing	DE Shaw Oculus International	Subscription	1,000,000	07/27/04	07/30/04	email
ART Investing	Kingsford International	Transfer in	TBD	07/27/04	07/30/04	email
ART Investing	Kingsford International	Transfer in	TBD	07/27/04	07/30/04	email
ART Arbitrage	The Capital Fund	Redemption	All shares	07/27/04	07/30/04	email
ART Arbitrage	Tamarack International	Redemption	All shares	07/27/04	07/30/04	email
ART Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	1,220,000	07/27/04	07/30/04	email
ART Arbitrage	Brevar Howard Fund Limited	Subscription	5,500,000	07/27/04	07/30/04	email
ART Arbitrage	Greywolf High Yield Overseas Fund	Subscription	2,350,000	07/27/04	07/30/04	email
ART Arbitrage	Kamunting Street Offshore Fund Ltd	Subscription	800,000	07/27/04	07/30/04	email
ART Arbitrage	Arx Global High Yield A	Transfer out	650,000	07/27/04	07/30/04	email
ART Arbitrage	Kingsford International	Transfer out	All shares	07/27/04	07/30/04	email
ABAS	The Capital Fund	Redemption	All shares	07/27/04	07/30/04	email
ABAS	Tamarack International	Redemption	All shares	07/27/04	07/30/04	email
ABAS	Rockbay Capital Offshore Fund Ltd	Subscription	530,000	07/27/04	07/30/04	email
ABAS	Brevar Howard Fund Limited	Subscription	2,340,000	07/27/04	07/30/04	email
ABAS	Greywolf High Yield Overseas Fund	Subscription	1,000,000	07/27/04	07/30/04	email
ABAS	Kamunting Street Offshore Fund Ltd	Subscription	350,000	07/27/04	07/30/04	email
ABAS	Blue Mountain Credit Alternative Fund Ltd.	Subscription	1,130,000	07/27/04	07/30/04	email
ABAS	The 32 Capital Fund	Subscription	340,000	07/27/04	07/30/04	email
ABAS	Arx Global High Yield A	Transfer out	590,000	07/27/04	07/30/04	email
ABAS	Kingsford International	transfer out	All shares	07/27/04	07/30/04	email

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**SQ0000005701**

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Ruyer	Transfer in from ABAS	
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Ruyer		
Ruyer	Transfer in from ART Arbitrage	
Ruyer		
Ruyer	Transfer in from ART Arbitrage	
Ruyer	Transfer in from ABAS	
Ruyer	Value date agreed with manager	
Ruyer	Value date agreed with manager	
Ruyer		
Ruyer		
Ruyer		
Ruyer		
Ruyer	Transfer out to ART Investing	
Ruyer	Transfer out to ART Investing	
Quigley/Muller	Value date agreed with manager	
Quigley/Muller	Value date agreed with manager	
Quigley/Muller		
Quigley/Muller		
Quigley/Muller		
Quigley/Muller		
Quigley/Muller		
Quigley/Muller	Transfer out to MPBGL Arbitrage	
Quigley/Muller	Transfer out to ART Investing	

MPBGL Arbitrage	Rockbay 1NR	Subscription	1,500,000	31-Aug-04
ART Arbitrage	Rockbay B1	Subscription	1304shs	31-Jul-05
MPBGL Arbitrage	Rockbay Capital Offshore Fund Limited Class 1NR	Subscription	1,000,000	30-Sep-04
ART Equity	Rockbay Capital Offshore Fund Limited Class 1NR	Subscription	500,000	31-Mar-05
MPBGL Arbitrage	Rockbay Capital Offshore Fund Limited Class 1NR	Subscription	1,900,000	30-Apr-05
MPBGL Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	2,150,000	27-Feb-04
MPBGL Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	600,000	31-Mar-04
ABAS	Rockbay Capital Offshore Fund Ltd	Subscription	850,000	31-Mar-04
ART Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	2,100,000	31-Mar-04
MPBGL Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	1,750,000	30-Jul-04
ART Arbitrage	Rockbay Capital Offshore Fund Ltd	Subscription	1,220,000	30-Jul-04
ABAS	Rockbay Capital Offshore Fund Ltd	Subscription	530,000	30-Jul-04
ART Equity	Rockbay Cl. 1R	Subscription	1,200,000	30-Sep-04
MPBGL Arbitrage	Rockbay 1-NR/4 (MP)	transfer out	977,2635shs	31-May-05 38503
ART Arbitrage	Rockbay 1-NR/4 (MP)	transfer in	977,2635shs	31-May-05 38503

Rockbay 1NR	1500000	8/31/2004		
Attradis Barracuda (Non-US Feeder) Common	1000000	8/31/2004		
CQS Convertible & Quantitative Strategies Class B	500000	8/31/2004		
Blue Mountain Credit Alternative Fund Limited Common	3000000	8/31/2004		
CQS Capital Structure Arb Fund Class B	1500000	8/31/2004		
CQS Credit Arbitrage Class C	1000000	8/31/2004		
KBC Return Enhancement Class A	700000	8/31/2004		
Silverback Offshore Class A1	1000000	8/31/2004		
Waterstone Market Neutral OS Fund Class B	1000000	8/31/2004		
LC Capital Offshore Fund Common	2000000	8/31/2004		
Silverpoint Class H	2700000	8/31/2004		
ARX Global High Yield Overseas Fund Limited Class A1	1100000	8/31/2004		
Greywolf High Yield Overseas Fund Class A	1000000	8/31/2004		
OxAM Quant Fund Limited Common	3000000	8/31/2004		
DE Shaw Composite International Fund Common	Transfer in	191,4251 shares	Transfer in	transfer in from MPBGL Investing
QVT Overseas Ltd. Class A Series 6	Transfer in	1,883.312 shares	Transfer in	transfer in from MPBGL Investing
London Diversified Fund Ltd. Class B	Transfer in	2000000	Transfer in	transfer in from MPBGL Investing
AQR Global Asset Allocation Fund Cl. B Series 1	Transfer in	4 shares	Transfer in	transfer in from ART Arbitrage
AQR Global Asset Allocation Fund Cl. B Series 1	Transfer in	7 shares	Transfer in	transfer in from ABAS
Polar UK Market Neutral Fund Ltd. Cl A	Transfer in	4,000 shares	Transfer in	transfer in from ART Arbitrage
Atlas Class D	Transfer in	55 shares	Transfer in	transfer in from ART Arbitrage

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SQO0000005701

# **Exhibit 17**



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**A.R.T. Absolute Return Target Fund**

**Notice regarding**

**Bernard L. Madoff Investment Securities LLC.**

12<sup>th</sup> December 2008

Dear Co-Investors,

Please be informed that none of the A.R.T. Absolute Return Target Funds have any holdings in any funds related to Bernard Madoff.

Please do not hesitate to contact us should you wish to discuss this matter further.

---

A.R.T. Absolute Return Target Fund

# **Exhibit 18**

**From:** Hélène De Pol Castagna  
**Sent:** Tuesday, December 16, 2008 11:26 AM  
**To:** 'SNEESSENS Emmanuel'; Timothée Henry  
**Cc:** Timothée Henry  
**Subject:** ART Notice (No Exposure to Madoff)  
**Attachments:** ART Notice - December 2008.pdf

Cher Emmanuel,  
Ci-joint la notice officielle concernant l'affaire Madoff que nous avons envoyé vendredi dernier et que vous pouvez transmettre à Monsieur Roland Woerndli.  
Merci pour votre aimable collaboration.  
Cordialement,  
Hélène

Hélène De Pol Castagna  
Investor Relations Manager

**PARTNERS** 100 rue du Rhône T +41 22 716 00 60  
**ADVISERS** CH - 1204 Geneva F +41 22 716 00 61  
A 1939 2007-2008 04.10.2007 07:54S partnersadvisers.com  
S w i t z e r l a n d

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**From:** SNEESSENS Emmanuel [mailto:e.sneesens@bpere.lcf-rothschild.eu]  
**Sent:** 16 December 2008 11:14  
**To:** Timothée Henry  
**Cc:** Hélène De Pol Castagna  
**Subject:** FW: RE Estimated monthly report - class B-C-D-E-F-G

Bonjour Timothée,

Nous avons reçu ci-dessous une demande d'un investisseur relative à l'"affaire Madoff".  
Pourrais-tu nous dire ce que vous désirez que nous répondions à cette question?  
Nous avons vu passer une avis de votre part mais celui-ci avait été rappelé par vous, pouvons nous le communiquer quand même?

Merci d'avance.

Emmanuel

Emmanuel SNEESSENS

Client Relationship Manager  
**Banque Privée Edmond de Rothschild Europe**  
Tel. 00.352.24.88.2363  
Fax 00.352.24.88.8684  
E-mail e.sneesens@lcf-rothschild.lu  
website : [www.lcf-rothschild.lu](http://www.lcf-rothschild.lu)

**From:** roland.woerndli@banquecramer.ch [mailto:roland.woerndli@banquecramer.ch]  
**Sent:** lundi 15 décembre 2008 10:09  
**To:** Info ArtFund - Luxembourg  
**Subject:** RE Estimated monthly report - class B-C-D-E-F-G

Hi there,

Do you have any exposure to Madoff and if yes how much ?  
Kind regards

Roland Woerndli

"Info ArtFund - Luxembourg" <I.InfoArtFund@lcf-rothschild.lu>  
Envoyé par : "HAMDI Bettina" <b.hamdi@lcf-rothschild.lu>

12/11/2008 03:56 PM

A "Info ArtFund - Luxembourg" <I.InfoArtFund@lcf-rothschild.lu>  
cc  
Objet: Estimated monthly report - class B-C-D-E-F-G

Dear Investor,  
Please find attached our **estimated** monthly report of the ART FUND - class B-C-D-E-F-G performance for November 2008.  
<<ART BCDEFG\_Monthly report\_November-08\_Estimate.pdf>>  
Should you have any question, please do not hesitate to contact your usual contact person or address your e-mail query to [info@artfund.lu](mailto:info@artfund.lu)

Kind Regards.

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Tel: +352 24 88 1

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email: [postmaster@lcf-rothschild.lu](mailto:postmaster@lcf-rothschild.lu)



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